As of 4 p.m. ET **DJIA** 10618.19 ▲ 0.11% **FTSE 100** 5534.24 ▲ 0.14% **Nikkei 225** 10798.32 ▲ 1.09% **Shanghai Comp.** 3196.00 ▲ 0.10% **Hang Seng** 22296.75 ▲ 0.12% **Sensex** 17540.29 ▼ 0.43% **S&P/ASX 200** 4912.13 ▲ 0.26%

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# THE WALL STREET JOURNAL.

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DOWJONES A NEWS CORPORATION COMPANY asia.WSJ.com

# JAL nears bankruptcy protection

By Mariko Sanchanta

Momentum is gathering for **Japan Airlines** Corp. to file for the Japanese equivalent of Chapter 11 bankruptcy protection, even as **Delta Air Lines** Inc. and American Airlines remain locked in negotiations with the carrier.

The move would mark one of the country's biggest insolvencies ever and signals that the new administration in Tokyo, led by Prime Minister Yukio Hatoyama, is set to deal with JAL—which has received three public bailouts in the last decade—swiftly and decisively.

The state-backed turnaround body has proposed that JAL, Asia's leading carrier by revenue, undergo a modified version of a court-led rehabilitation process, according to a person familiar with the situation. The process is set to be unveiled as early as next week.

**AMR** Corp.'s American Airlines and Delta Airlines are continuing discussions with JAL. Executives from American are headed to Tokyo this week to continue negotiations; the U.S. carrier has increased its offer to invest in JAL by $300 million to $1.4 billion, according to people familiar with the matter. Delta, the No. 1 carrier in the U.S., is offering $1 billion for a stake in JAL, underlining the importance of the Japanese carrier's access to lucrative Asian markets. The size of the potential stake in JAL is unclear; under Japanese law, foreign carriers can't take more than a one-third stake in JAL.

JAL isn't expected to make a decision regarding a partner until February, according to a person familiar with the matter. The Enterprise Turnaround Initiative Corp., the state-backed body responsible for rehabilitating JAL, wants to install new management at JAL before it chooses a U.S. carrier with which it will ally.

For a company of JAL's size, with roughly 47,000 em-

*Please turn to page 18*

Reuters

A worker carries sugar canes to sell at a fruit-and-vegetable market in Lahore, Pakistan, on Sunday.

# Commodity costs threaten upturn

From corn to crude, prices for a wide range of commodities are on the rise across the globe, a trend that underscores—but could also hinder—a gathering economic recovery.

*By **Mark Whitehouse**, **Scott Kilman** and **Alex Frangos***

In recent months, global food prices have been growing at a rate that rivals some of the wildest months of 2008, when food riots erupted across the developing world. Higher prices could be a positive sign that companies are gearing up for a rebound in consumer spending, or the harbinger of a return to the upward spiral that plagued consumers before the recession took hold.

The surge in commodities "is a reflection of extremely strong demand in the emerging world, and growing hopes of stronger demand in the developed world," said Jim O'Neill, head of global economic research at Goldman Sachs in London. It is "encouraging so long as it isn't too persistent."

But Hugh Grant, chairman and chief executive of St. Louis crop-biotechnology company **Monsanto** Co., said the recession merely "masked" the 2008 food crisis.

The price of a bushel of corn—a ubiquitous ingredient in the U.S. diet—rose 24% since Sept. 1. In Thailand, the price of a metric ton of rice, a staple across the region, stood at $618 in December, up 11% from September, but well below a peak of about $1,000 in April 2008. An index of global food prices compiled by the United Nations jumped 6.9% in November alone from the month before.

Other commodities are surging, too. The price of a barrel of oil last week broke out of the $60 to $80 range it had maintained for the latter half of 2009, trading at $81.37 on the IntercontinentalExchange Friday, up about 20% from Sept. 1. In London, the price of gold stood at $1,137 up about 18%.

To be sure, prices of most commodities, with the exception of gold, are well off 2008 peaks. The U.N.'s food-price index is 21% lower than its June 2008 high. The price of oil peaked at just more than $146 a barrel in July 2008.

Also, the fundamentals of the global grain markets are a lot different now than during the 2008 food crisis, when prices of crops such as corn, soybeans and rice more than doubled. That surge was largely the result of the world having consumed more grain than it had produced for much of the decade, which drained reserves to unusually low levels.

But rising commodity prices, in part, illustrate concerns that central bankers'

*Please turn to page 18*

# Citi replaces its Japan chief

By Alison Tudor

TOKYO—The head of **Citigroup** Inc. in Japan, Douglas Peterson, is returning to New York after overseeing the swift sale of assets in Japan to help the banking giant repay the U.S. government for its bailout during the financial crisis, a person familiar with the matter said Sunday.

He will be succeeded by Darren Buckley, head of Citibank Japan Ltd., which contains the country's biggest foreign retail-banking network. Both Mr. Peterson and Mr. Buckley declined to comment.

Mr. Peterson joined Citigroup in 1985, working first in Buenos Aires, then in New York. He also served stints as country corporate officer for Costa Rica and Uruguay. He rose to become Citigroup's chief auditor in 2000, according to the company's Web site.

In May 2004, he was named head of Japan, with a mission to clean up the company in the wake of a private-banking scandal.

Mr. Peterson was grilled by lawmakers over the incident, the first time a committee in the Upper House of Japan's parliament had called a non-Japanese witness. Under his leadership, Citigroup rolled out its universal-banking model in the world's second-biggest economy. In 2007, Citigroup became the first foreign lender in Japan

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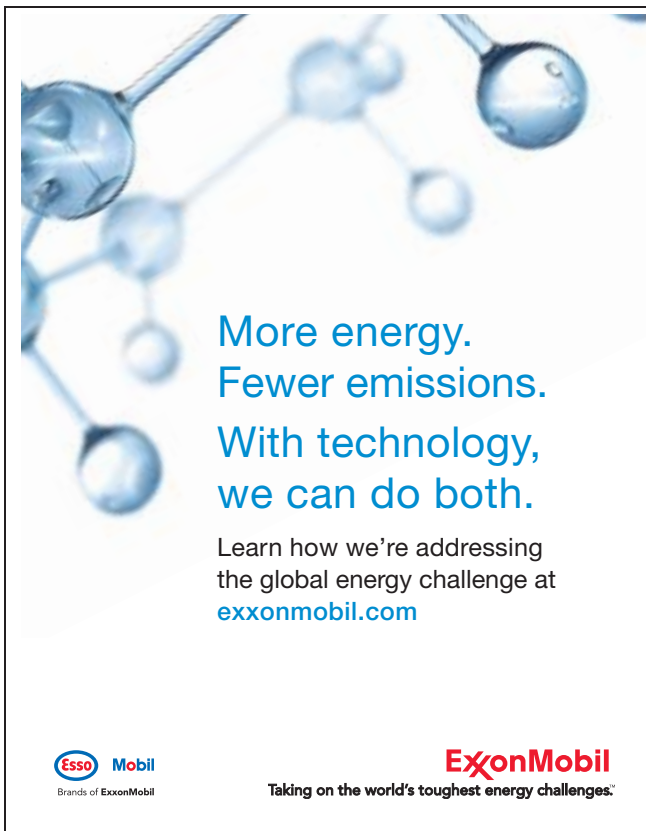

# PAGE TWO

## What's News—

* * *

*Business & Finance*

■ **Chinese exports rose 18%** in December, resuming growth after 13 months of declines, in the latest sign of improvement in global trade. The change of direction came a year after Chinese leaders embarked on a massive domestic investment-led stimulus program. Imports, meanwhile, grew 56%. **3**

■ **China is expected to boost** steel output by nearly 10% this year, likely pushing up prices for steel, its raw materials and other commodities. **20**

■ **U.S. companies'** fourth-quarter profits are likely to rise from the year-earlier quarter for the first time since mid-2007. **19**

■ **Japan's new finance minister** toned down his call for a weaker yen after the prime minister rebuked Naoto Kan for comments that roiled currency markets. **6**

■ **U.S. employers cut** 85,000 jobs in December, dashing hopes of a better employment picture. **16**

■ **China approved the launch** of stock-index futures, as well as a trial program for short selling and trading stocks on margin. **24**

■ **Qantas's CEO said** two employees being barred from leaving Vietnam have done nothing wrong. Vietnam is questioning the pair about losses related to fuel-hedging trades. **8**

■ **Billionaire Li Ka-shing's** Hutchison Whampoa offered to take its Hutchison Telecommunications unit private in a $545 million cash deal. **21**

■ **Thailand's TMB Bank plans** a $12.1 billion write-down, paving the way for it to pay a dividend for the first time since the 1997 Asian financial crisis. **25**

■ **India's Reliance sweetened** its offer for control of LyondellBasell when the chemical maker exits bankruptcy, but Lyondell appeared unlikely to accept. **21**

Reuters

Police cars patrol near St. Anthony Church during Mass in Kuala Lumpur on Sunday. Malaysia's government sought to calm tensions in the country after at least five churches were attacked by arsonists, escalating a dispute over whether Christians here can use the word "Allah" as their translation for "God." Page 5

■ **UPS raised its** earnings guidance but said it will cut 1,800 jobs and that it still expects a gradual economic recovery. **22**

■ **Boeing is reviewing** its plans to build a short-range version of its 787 Dreamliner, after it lost the only 28 orders for the plane. **23**

■ **IBM will launch** a financing business in China with chip maker AMD as its first client. **23**

■ **The Federal Reserve told AIG** not to disclose key details of their agreements to make big payouts to banks in late 2008, email exchanges show. **25**

■ **An attack on a pipeline** operated by Chevron in Nigeria is the latest in a series of political and security setbacks for the nation. **8**

* * *

*World-Wide*

■ **A U.K. newspaper reporter** was among those killed in an explosion in Afghanistan. Rupert Hamer, defense correspondent for the Sunday Mirror, was embedded with U.S. Marines in Helmand. **7**

■ **Afghanistan's Karzai** presented a revised cabinet list of mostly political unknowns to replace the nominees who were rejected a week earlier by Parliament. **7**

■ **Pakistani television showed** a clip of the suicide bomber who killed seven CIA staff in Afghanistan meeting a Pakistani Taliban leader, underlining the connections between Pakistan tribal militants and al Qaeda. **7**

■ **Opposition lawmakers in** Hong Kong, after filibustering a vote to finance a contentious $8.6 billion high-speed railway to mainland China, are gearing up for a second showdown this week. **4**

■ **Hong Kong police** arrested a man after bottles of corrosive liquid were hurled into a crowd in Kowloon. At least 30 people, including tourists, were injured.

■ **Togo recalled** its football team from the African Cup of Nations in Angola following an ambush on its bus that killed three people.

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China's power supply system has been pushed to the brink again amid unusually cold weather. Holdover policies from China's Maoist past aren't helping.

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# China exports rebound

*Imports also rise, resulting in a trade surplus that shrank in 2009*

By J.R. Wu

BEIJING—Exports from China turned upward in December, resuming growth after 13 months of declines, in the latest sign of improvement in global trade.

The change of direction came a year after Chinese leaders embarked on a massive domestic investment-led stimulus program to offset the global erosion of demand for its exports, a key driver of China's economic growth.

The shift in focus was evident in December's trade data: While exports appeared to have turned the corner, rising 18% from the year-earlier month, imports grew even more, up 56%, reflecting China's stimulus-fueled appetite for raw materials. Crude-oil imports set a monthly record, and those of iron ore were the second highest recorded.

This trend also showed in the annual trade surplus, which shrank for the first time in six years.

For the year, exports fell 16% to $1.202 trillion and imports slid 11.2% to $1.006 trillion, data issued Sunday by the General Administration of Customs showed. It was China's first annual export decline since 1983, when exports fell a mere 0.4%. While the rest of the world took even harder hits from the global slowdown, the effects of the crisis has marked Chinese leaders' thinking about accelerating the economy's drivers away from exports and toward domestic consumption.

Still, the sharp December trade improvement in China—which overtook Germany last year as the world's largest exporter—suggests a strong expansion in China's economy in the final quarter of 2009, after the 8.9% expansion in the third quarter, and is likely to stoke debate about when Beijing will start to wind down its stimulus policies.

"Growth in exports is expected to be strong in the coming months due to steady improvement in external demand combined with low base effects. Continued recovery in China's industrial sector should support increased demand for energy and raw material imports," said Jing Ulrich, chairman of China equities and commodities at J.P. Morgan.

Economists said a continued rise in exports might increase the government's willingness to let its currency rise in the coming months. Critics say Chinese exporters enjoy an unfair advantage in global markets because the yuan is undervalued, and trade tensions between China and its key trading partners have escalated in recent months.

"Positive export growth will ... likely increase the global pressure on Beijing to allow some currency appreciation, while also making it easier to justify such a move to domestic audiences," said Royal Bank of Canada Capital Markets senior strategist Brian Jackson.

China's December exports surged to $130.7 billion as imports grew to $112.3 billion, resulting in a trade surplus for the month of $18.4 billion, customs data showed.

Economists polled by Dow Jones Newswires had expected exports to grow 5% and imports to increase 31% in December. China's exports last grew on a year-on-year basis in October 2008 before the global financial crisis sharply eroded demand at the tail end of 2008.

China's trade surplus last year topped $196 billion, falling 34% for the year and recording its first annual drop since it fell 16% in 2003.

In the fourth quarter, China's trade surplus totaled about $61 billion, greater than the roughly $39 billion of the third quarter, likely bolstering China's foreign exchange reserves and its money supply into the end of the year. China's central bank is due to issue the reserves and lending data early this week.

China's crude oil imports hit a record 21.26 million metric tons in December, equivalent to 5.03 million barrels a day, the data showed, partly on a push by state-owned refiners to have enough fuel in reserve ahead of the Lunar New Year holiday next month.

For all of last year, crude oil imports rose 14% to 203.79 million tons, likely cementing China's place as the second-largest importer of crude oil after the U.S. in 2009, overtaking Japan, whose oil demand stagnated when its economy slid into recession.

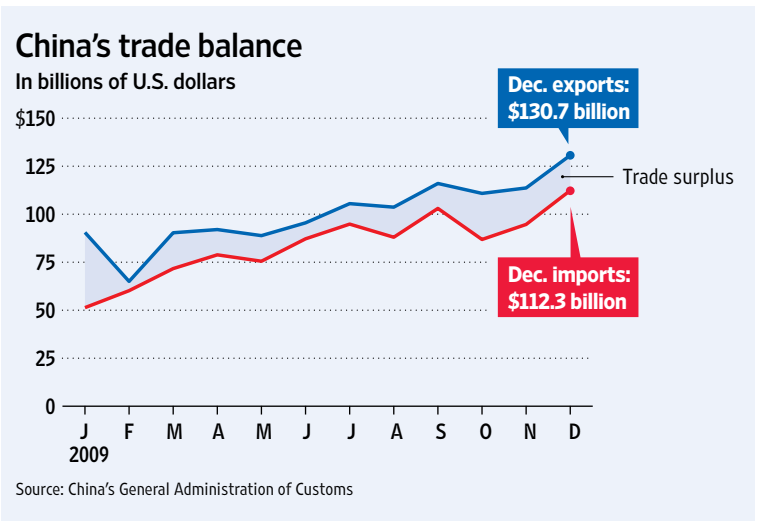
China's commodity imports trumped expectations of a winter slowdown, underscoring an unabated hunger for key industrial products.

China imported 62.16 million metric tons of iron ore in December, 80% more than a year earlier and the second highest volume on record, the data showed. Iron ore imports were up 22% from the month before.

For the full year of 2009, China imported 627.78 million tons of iron ore, up 42% from 2008. The high import volume points to traders and steelmakers moving to stock up on the steelmaking ingredient, ahead of market expectations that annually-set benchmark prices are poised to rise some 20%.

For the year, China's trade with the European Union, its top trading partner, fell 14.5% to $364 billion as exports to the EU slumped 19% to $236 billion. China's trade with the U.S., its second largest trading partner, sank 11% to $298 billion as exports fell 12.5% to $221 billion.

*—David Winning and Chuin-Wei Yap contributed to this article.*

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WORLD NEWS: ASIA

# China's Rio Tinto probe at juncture

*Business, political circles are focused on Shanghai case accusing four employees of iron giant with corporate crimes*

By James T. Areddy

SHANGHAI—A case against four **Rio Tinto** PLC employees that shocked the international business community and threatened to blow a hole in Sino-Australia relations could reach a key juncture Monday.

Jan. 11 is the deadline for the Shanghai Public Security Bureau to submit to local prosecutors the results of its investigation into commercial crimes allegedly committed by the Rio Tinto employees. The executives, including Australian national Stern Hu, were charged in August with employing bribery and other illegal means to drive the multibillion-dollar mineral-sales business in China for the giant Australian miner.

Few events have riveted corporate executives like China's tussle with Rio Tinto. In their charges, Chinese authorities allege that the star players in Australia's immensely profitable iron-ore trade engaged in illegal activities. Heavy with political overtones, the case is wrapped in obscurity, combining practices in the secretive minerals industry with those of an opaque legal system.

The iron-ore trade fundamentally links Australia, the largest supplier, with China, the largest customer. The situation beckons for smooth ties between the largest supply company, Rio Tinto, and the Chinese steel industry. The case against the Rio employees threatened to seriously unmoor those ties.

Whether the legal process in the Rio case actually will move forward Monday—perhaps into court—isn't certain. Defense attorneys note loopholes could mean another five months may pass before China's legal system would require prosecutors to issue a firm decision.

Just as murky is the question of whether the case will cause lasting damage, specifically to Sino-Australian ties, and more broadly to the appetite of multinational companies such as Rio Tinto to compete aggressively for business in China.

Channels have remained open between China's leaders and Australia's prime minister, Kevin Rudd, who speaks fluent Chinese and was expected to take relations with Beijing to a new level when he took power two years ago. But the two sides also have traded barbs, over climate talks and even the invitation list at a film festival. And while cross-border dealmaking has been sustained, with Rio Tinto continuing to sell billions of dollars of iron ore to Chinese steelmakers, suspicions run deep, including over a mutually acceptable framework for pricing ore.

Chinese steelmakers spend more than $50 billion importing the crucial mineral each year. That dwarfs the amount China spends on most foreign products: Jet maker **Boeing** Inc.'s total revenue in China in the three years between 2006 and 2008, for instance, was just under $8 billion.

In iron ore, the legal challenge has changed little. The volume of Chinese ore imports has rapidly expanded and the price per metric ton is now about double the level of a year ago.

Reuters

Rio Tinto executive Stern Hu in an undated photo handed out in July.

Some Western observers worry the case is symptomatic of how the world's third-largest economy may flex its muscles in cross-border disputes."It forms a pattern, a pattern of Chinese overreach," said David Kelly, a Beijing-based professor of China Studies at Sydney's University of Technology. Sino-Australian relations could be regarded as "a miner's canary," he said, that offers early warning about pressures "that will in time be felt in other global regions."

Whether the Rio Tinto case has fundamentally altered how foreigners approach business deals in China is another question. "Maybe the answer is no," says the chief of a prominent business group in Hong Kong who asked not to be named. He rarely hears CEOs discuss the case, but when they do, he says, "they take it as a really bad sign about China; that China is moving in the wrong direction."

Without warning in early July, four members of Rio Tinto's Shanghai-based mineral sales team were detained by Chinese security agents. State security agents normally handle matters of spying and terrorism, and their involvement with a foreign company as prominent as Rio Tinto was unusual.The timing raised eyebrows: Weeks earlier Rio Tinto had walked away from an $18 billion deal to sell a chunk of itself to a state-owned Chinese aluminum smelter, **Aluminum Corp. of China**, astounding Beijing because the original deal was seen as a triumph that might improve its access to raw materials.

Also, the weekend before the arrests, Rio Tinto had allowed talks to break down with a Chinese industry group rather than accede to its demand to slash the ore price after years of double- and triple-digit price increases.

Due to China-born Mr. Hu's Australian passport, the Rio Tinto case quickly became a diplomatic one. In a briefing, China's Foreign Ministry spokesman alleged espionage, prompting Australian politicians to counter that Beijing was jeopardizing relations with a venerable ally—foreign multinationals.

Rio Tinto denied that it or its employees, who aren't reachable and haven't appeared in public, had done anything wrong. Meanwhile, it instructed some foreign employees to stay out of China.

In mid-August, when Mr. Hu and his three Chinese colleagues were formally charged, the case was downgraded to a police matter involving allegations of commercial crimes. A guilty verdict in court could nevertheless keep them in jail.

Just the same, foreign companies reassessed their exposure. The case "has left the business world uneasy about the blurred line between business and state secrets," the law firm Allen & Overy advised its clients in an August circular, urging them to "take proper precautions."

Yet business did continue, even for Rio Tinto in China. The company's chief executive officer, Tom Albanese, told an investor briefing in November that a top company priority for 2010 was to rebuild the company's China relationship.

There is little sign iron-ore sales to China have suffered. In the three months to September, the most recent report available, Rio Tinto said ore sales from its mines in the Pilbara region of Western Australia hit a record 56 million metric tons.

*— Alex Wilson in Sydney, Shai Oster in Beijing and Ellen Zhu in Shanghai contributed to this article.*

# Hong Kong opposition to rail holds off vote

By Jonathan Cheng

HONG KONG—Hong Kong opposition lawmakers, after filibustering a vote to finance a contentious US$8.6 billion high-speed railway to mainland China, are gearing up for a second showdown this week over the government-backed infrastructure project.

Government officials call the rail link a critical public works project that would plug Hong Kong into mainland China's high-speed national rail network and more closely integrate Hong Kong into the mainland economy. Critics argue the rail link is too costly and unfair to villagers who would be uprooted from their homes.

Buoyed by the drum beats and chants of thousands of protesters who ringed Hong Kong's legislature for about nine hours on Friday, legislator after legislator inside the main chamber rose to ask questions in a session that dragged on for about six hours before ending without a vote.

Filibuster sessions are rare in Hong Kong, where proestablishment lawmakers control a majority of the 60 legislative seats, generally passing government-backed policies without major obstacles.

The vote on the railway funding has become an unexpected headache for Chief Executive Donald Tsang, who has made infrastructure spending a cornerstone of his five-year term, which ends in 2012.

Already, the government is spending about US$1.2 billion to fund Hong Kong's portion of the world's longest oversea bridge, a 48-kilometer highway to Macau and the mainland city of Zhuhai. Several new metro lines, a large cultural district and a new cruise terminal also are in the works.

Bloomberg News

A protester demonstrated against a high-speed rail project to mainland China being debated Friday by Hong Kong lawmakers.

In remarks Sunday, Mr. Tsang urged lawmakers to approve the project at the next session, set for Friday. "This is an issue that strikes at the heart of Hong Kong's long-term competitiveness," Mr. Tsang said. "If construction can begin soon, the public will be able to enjoy the speed and convenience and sustainability of being plugged into mainland China's high-speed rail network."

The express train would stop in the city of Shenzhen just across Hong Kong's northern border. Then, it would travel to an outlying suburb of Guangzhou, southern China's traditional commercial and transport hub, in about 45 minutes.

The current service, which arrives in downtown Guangzhou, takes about two hours. With the completion of a high-speed line linking Guangzhou and Beijing set for 2013, government officials say a train ride from Hong Kong to Beijing could take about 10 hours, compared with about 24 hours now.

Funding for the new rail link was expected to have been approved in time for construction to have begun last year and finish in 2015. But opposition lawmakers pushed back the vote to the new year, arguing that the cost of US$530 million for each mile of railway is out of proportion with the benefits to the economy.

They accuse the government of trying to ram the bill through without considering cheaper alternatives, and say the blueprint places the two rail terminuses at inconvenient locations, displacing a rural village near Hong Kong's northern border.

In theory, the government has enough votes to win approval for the funding, but opposition lawmakers have kept a vote out of reach.

If there isn't a vote at the meeting expected on Friday, there will likely be sessions Saturday and Sunday, according to Audrey Eu, leader of the Civic Party, which says the government hasn't answered scores of questions about the project's impact on Hong Kong. "We're not trying to delay with unnecessary questions," Ms. Eu said. "This is a very controversial project, and we have a responsibility to raise these issues."

Outside the legislature, thousands watched the proceedings inside on a live video stream, waving banners and banging drums loudly.

"There are still so many questions about the railway that the government hasn't answered," said Arthur Tang, a 33-year-old former university teacher who held a sign calling railway supporters Communist Party "running dogs." "I think it's a huge waste of money," he said.

# Malaysia pleads for calm

By James Hookway

KUALA LUMPUR—Malaysia's government sought to calm tensions in the multiethnic nation after at least five churches were attacked by arsonists, escalating a dispute over whether Christians here can use the word "Allah" as their translation for "God."

Nobody was hurt in the attacks, which began early Friday and continued on the weekend; only one of the churches, which was set ablaze, suffered serious damage.

But the attacks—virtually unprecedented in Malaysia—threaten to unsettle the nation's delicate ethnic balance and disrupt Prime Minister Najib Razak's efforts to win support from non-Muslim minorities ahead of elections due by 2013.

Economists also worry that Mr. Najib's initial support for Muslim protesters could be an indication he might not move as quickly as some investors hope to dismantle Malaysia's decades-old race-based affirmative action policies.

The program guarantees privileges such as equity quotas and university places for ethnic-Muslim Malays to help them catch up with their generally better-off ethnic-Chinese compatriots. Malay activists previously have signaled their anger at Mr. Najib's suggestions the system be overhauled to lift the country's economic competitiveness.

The latest tensions began with a Dec. 31 High Court decision that allowed the Roman Catholic Church to refer to Allah in Malay-language sections of their weekly newspaper. The government has appealed the ruling, which overturned a three-year-old ban.

Mr. Najib called for calm Friday and said Malaysians shouldn't blame his government for inspiring the church attacks. "There should be no overzealous action that can harm the harmony of the country," he said. Other government leaders warned they might employ the Internal Security Act, which allows for detention without trial.

Many Malaysian Muslims say the term Allah is exclusive to their faith, and on Friday a few hundred held a noisy, though brief, protest at a mosque in downtown Kuala Lumpur, chanting "Allahu Akbar," or God is great."For non-Muslims to use this word is an unnecessary provocation," said Faisal Aziz, president of the National Union of Malaysian Muslim Students and a protest organizer.

The Malaysian judiciary's main Web site was hit by hackers shortly before thechurch attacks. A hacker replaced the main page with a message warning non-Muslims to avoid using the term Allah, saying it is "restricted to Muslims only."

Political analysts say Mr. Najib is attempting to tread a fine line between wooing the support of Malaysia's large ethnic-Chinese and Indian minorities, who make up about 40% of the country's 27 million people, and maintaining the backing of an ethnic-Malay majority that's become increasingly defined by its Islamic faith.

Mr. Najib needs the backing of minorities to regain ground lost to the opposition in 2008 elections, when the ruling National Front lost its two-thirds majority in parliament for the first time in decades.

However, the High Court's decision created a fresh fault-line between rule of law and a growing Islamist movement in what's long been considered a moderate Muslim nation. How Mr. Najib handles the controversy could determine whether he is returned to power in the next national elections.

The court ruled that Malay-speaking Christians have a constitutional right to refer to God as Allah. The Malay language doesn't have an exact translation for the concept of one single deity, and Malays and indigenous tribes borrowed the term Allah from Arab traders in the 12th century.

Malaysian opposition leader Anwar Ibrahim, a prominent figure in progressive Islamic circles in Malaysia and the Middle East, on Saturday said banning people from using the word Allah "makes a mockery of the religion."

The worst damage in Friday's attacks was at the Protestant Metro Tabernacle Church in a Kuala Lumpur suburb, whose first-floor office was destroyed. Molotov cocktails were also thrown into the compounds of three other churches.

Another Kuala Lumpur area church had an arson attack on Saturday, while on Sunday police said assailants threw gasoline bombs at one of the country's oldest Anglican churches, All Saints in Taiping, 300 kilometers north of Kuala Lumpur.

*—Celine Fernandez contributed to this article.*

Associated Press

A Kuala Lumpur police officer inspects damage to the Metro Tabernacle Church, whose first-floor office was destroyed when attackers fire-bombed it early Friday.

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# Hatoyama scolds Kan on yen

By Takashi Nakamichi And Takashi Mochizuki

TOKYO—The new Japanese finance minister toned down his call for a weaker yen after the prime minister rebuked him for comments that roiled currency markets, saying the government should refrain from such remarks.

"In general, markets should determine" exchange rates, Naoto Kan told a news conference Friday. The comments marked a turnaround from Thursday, his first day in the post, when Mr. Kan said he wanted the Japanese currency "a bit weaker" and would work with the central bank to bring the rate "to appropriate levels."

Mr. Kan changed tack after Prime Minister Yukio Hatoyama sought to restrain his new appointee, telling reporters Friday morning: "When it comes to foreign exchange, stability is desirable and rapid moves are undesirable. The government basically shouldn't comment on foreign exchange."

The shifts were illustrative of the sometimes-messy policymaking of the 4-month-old Hatoyama administration. Similar public disagreements have emerged in the shaping of position on other issues, such as the country's security alliance with the U.S.

Mr. Hatoyama's 11-year-old Democratic Party of Japan took power last year, ending more than half a century of nearly unbroken rule by the Liberal Democratic Party and analysts warned of likely policy disarray in the relatively young party.

Mr. Hatoyama's first finance minister was Hirohisa Fujii, a 77-year-old political veteran who had been seen as a voice of experience. Mr. Fujii stepped down suddenly last week, citing health problems.

Mr. Kan, 63 years old, who is also deputy prime minister, didn't back down altogether Friday. "While the prime minister's statement is right in principle, I—as minister directly in charge of such matters—must give sufficient consideration to expectations and hopes held by the [Japanese] business sector" on the yen exchange rate.

But the shift in his tone didn't go unnoticed in the currency market. It "helped bring market sentiment to a more neutral level, and sparked dollar selling against the yen," said Motonari Ogawa, director of currency trading in Tokyo at Barclays Capital.

Reuters

Finance Minister Kan shifted his tone Friday after calling for a weaker yen.

On Thursday, Mr. Kan helped to push down the Japanese currency when he suggested that many Japanese companies would prefer the dollar to rise to about 95 yen.

On Friday, following Mr. Kan's change in rhetoric Friday, the dollar fell to 92.61 in New York trading, from 93.23, which was its highest close in four months. However, the market perception—that Mr. Kan wants the yen to fall to help Japanese exporters—remains largely unchanged.

The Finance Ministry is in charge of Japan's currency policy, including ordering the Bank of Japan to intervene in the market—something it hasn't done in nearly six years.

Mr. Kan revised some of his initial remarks on fiscal policy, which moved bond markets by signaling that he will be more inclined to push big spending and borrowing than his predecessor.

On Friday, he stressed that reining in Japan's huge and widening budget deficit is important, as well as continuing to support the economic recovery.

"It's natural that we have to consider improving fiscal soundness," he said. "I will keep stimulus steps and fiscal soundness in mind when implementing economic and fiscal policy—though the road ahead is narrow."

# India's economy primed for growth

By Mukesh Jagota

NEW DELHI—India's economy is expected to grow at a fast clip this fiscal year, top ministers said Friday, highlighting that the expansion will be one of the fastest among major economies that shrugged off a global downturn.

While Prime Minister Manmohan Singh expects expansion of about 7%, Finance Minister Pranab Mukherjee is hopeful for a 7.75% expansion.

"We are equally optimistic that we can return to, and sustain, an annual growth rate of 9% to 10% in a couple of years," Mr. Singh said at a conference for overseas Indians.

"The rapid growth of India's economy in the last few years has helped lift millions of people out of poverty," he added.

India's economic expansion averaged 9% for four years through March 31, 2008, before slowing to 6.7% in the last fiscal year amid the global slowdown. But a slew of coordinated fiscal and monetary steps have helped spur economic activity, lifting growth to 7.9% in the three months ended Sept. 30—a sign of the quickening recovery.

Manufacturing activity in India expanded in December, accelerating the most since May on the back of new order flows, according to the HSBC Purchasing Managers' Index prepared by Markit.

Reuters

A laborer shields himself from cold in a railway yard Saturday in Chandigarh, northern India.

Another survey showed last week that December services activity rose the most in 15 months, buoying hopes of sustained economic recovery.

"We wish to accelerate efforts to effectively address the key constraints in the areas of infrastructure, agriculture, health and education," Mr. Singh said.

India's creaky infrastructure and excessive dependence on monsoon rains for farm productivity rob the country much of economic growth.

"(Reforms) in pension funds and liberalization of insurance sector are on the cards," Mr. Mukherjee said at the same conference.

# Singh vows to let Indians abroad vote

By Arlene Chang

MUMBAI—Indian Prime Minister Manmohan Singh said he wants to give the millions of Indians who reside abroad the right to vote in time for national elections in 2014.

The prime minister told the annual meeting in Delhi of a group representing expatriate Indians, the Pravasi Bharatiya Divas, that nonresident Indians should be allowed to be part of the democratic process.

Mr. Singh didn't give details about which overseas Indians might be eligible. "I recognize the legitimate desire of Indians living abroad to exercise their franchise and to have a say in who governs India," Mr. Singh told the group. "We are working on this issue and I sincerely hope that they will get a chance to vote by the time of the next regular general elections."

More than 30 million Indians live outside the country, and send home more than $50 billion a year. The right to vote would give expatriates greater political voice but, with 714 million eligible voters in India, they would be unlikely to significantly sway the outcome of national elections.

In his speech, Mr. Singh also called on Indians to come home and help run the country. "I would go a step further and ask why more overseas Indians should not return home to join politics and public life as they are increasingly doing in business and academia," he said.

Nonresident Indians, or NRIs, generally side with the leading opposition party, the Bharatiya Janata Party, said Mahesh Rangarajan, a political analyst at the University of Delhi.

"NRIs earn pots of money, come back and build homes. They also bring in much foreign exchange to the country," said Mr. Rangarajan. "The statement is clearly to make them feel part of the political community of the country."

# Bank of Korea holds key rate steady at 2%

By In-Soo Nam And Shin Jung-Won

SEOUL—The Bank of Korea held interest rates at a record low for the 11th consecutive month but rebuffed pressure to keep policy loose for an extended period, boosting expectations it will raise rates this quarter.

The central bank, as expected, left its key rate at 2% at a policy meeting on Friday attended by a government observer for the first time in 11 years. But Gov. Lee Seongtae said the BOK will determine monetary policy.

"Our view on the economy isn't too different from that of the government, but the two sides can't agree on exit-policy details," Mr. Lee told a news conference. "Changing the policy rate is what we're supposed to do."

He said that rates are significantly low given the unexpectedly fast recovery in Asia's fourth-largest economy and that a rate increase would mean only reducing emergency stimulus, not shifting to a tightening policy.

A day after the BOK said it wanted to begin withdrawing emergency stimulus in coming months, the government sent Vice Finance Minister Hur Kyung-wook to the policy meeting, exercising a right it hadn't used since January 1999.

Mr. Hur, who has argued that the risks of withdrawing stimulus too soon greatly outweigh those of waiting too long, told the central bank that the government respects the BOK's independence, but that the global financial crisis has shown "the need for close cooperation between the government and the central bank."

The BOK said that with Korea's economic growth likely to be sustained, but considerable uncertainty remaining, it will maintain an accommodative stance for the time being.

The central bank slashed its main interest rate by 3.25 percentage points in the five months through February 2009 and has kept it unchanged to help spur growth.

Despite the government pressure, analysts are increasingly forecasting an early rate increase.

Economist Park Sang-hyun at HI Investment & Securities, who had previously expected the BOK to wait until the second quarter, now tips a rate increase next month. "The economic rebound is strong and inflation is creeping up faster than expected," Mr. Park said. "Policy committee members are of the view that the current rate is too low."

The central bank said Friday it expects headline inflation to remain stable for some time, although it may rise briefly due to the recent heavy snowfalls.

Consumer prices climbed 2.8% in December from a year earlier—the fastest in eight months. Industrial output increased at the fastest rate in more than three years in November, while consumer and business sentiment remained high.

The economy grew 3.2% in the third quarter from the previous three months, the fastest in more than seven years. Gov. Lee said growth continued in the fourth quarter and will likely accelerate this quarter.

*— Kanga Kong contributed to this article.*

# U.K. journalist dies in Afghan explosion

By Anand Gopal

KABUL—A U.K. newspaper journalist was killed in an explosion in Afghanistan, the British government said Sunday.

Rupert Hamer, the defense correspondent for the Sunday Mirror, was embedded with U.S. Marines in the restive area of Nawa in southern Helmand province when their vehicle struck a roadside bomb Saturday. The explosion killed Mr. Hamer along with a U.S. Marine.

Phillip Coburn, the newspaper's photographer, was injured in the attack but was in stable condition, the British Defense Ministry said in a statement. Five U.S. Marines were "seriously injured," the statement said.

Mr. Hamer was a veteran war reporter, having covered conflicts in Iraq and Central Asia. The British Secretary of State for Defense, Bob Ainsworth, said that press officers at the Defense Ministry "had great respect" for Mr. Hamer's work and that his paper was "very well received by troops on the ground and its success is a testament both to [his] hard work and his understanding of service personnel."

The incident comes almost two weeks after a Canadian journalist, Michelle Lang, was killed in the southern part of the country, when a roadside bomb struck the military vehicle she was traveling in.

Nearly two weeks ago, two French journalists, along with their Afghan driver and translator, were kidnapped north of Kabul. The reporters had traveled unembedded to interview Taliban fighters in a dangerous part of Kapisa province. Local Taliban commanders have demanded the release of a commander currently in U.S. custody and a cash ransom, according to Afghan security officials.

Associated Press/Sunday Mirror

Journalist Rupert Hamer was killed Saturday in southern Afghanistan.

Afghanistan has become increasingly dangerous for journalists in recent years. The majority of journalists who have been killed or kidnapped are Afghans, but a number of foreign reporters have been abducted as well. World-wide, 2009 was the deadliest year on record for media professionals, according to the Committee to Protect Journalists. The group said 68 journalists lost their lives last year, the most since the group began tracking fatalities in 1992.

# Karzai presents new list of nominees for cabinet

By Anand Gopal

KABUL—Afghan President Hamid Karzai presented a revised cabinet list on Saturday to replace ministers rejected by Parliament a week earlier, a move that is seen as a key step in improving governance in the country.

The 17-person list excludes controversial warlords, which is likely to be welcomed by Afghan lawmakers and Western officials. It also includes three women, the most ever for this conservative society.

The list, however, is made up mostly of political unknowns, which some lawmakers said is a major weakness.

"Where did he get them from? Nobody knows who these people are," said Daud Hashimi, a legislator from Kabul.

The only high-profile candidate is Zalmay Rasoul, Mr. Karzai's former national-security adviser, who is being tapped for the post of foreign minister.

"I think only six or seven candidates will get the vote of confidence," said lawmaker Moyen Minstrial. "But this will be enough to move forward, because together with the seven that were approved last week, the majority of the cabinet will be in place."

Parliament had rejected 17 of Mr. Karzai's original 24-person list on Jan. 2, including controversial figures such as Ismail Khan, the former minister for energy and water. The move was widely seen as a political blow to Mr. Karzai and a rare instance when the historically weak Parliament has been able to check the president's actions.

Western officials welcomed the rejection of some of the controversial picks, but also expressed concern that it would lengthen the period without a functioning cabinet at a time when they were pushing for reform in a government plagued by accusations of corruption and inefficiency. The president has been without a functioning cabinet for nearly two months.

Parliamentarians said they will vote on the cabinet in the coming week. In the event that only some of the 17 nominees are approved, Mr. Karzai will need to present another list for the remaining positions.

*— Habib Zahori contributed to this article.*

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# TV clip shows terror link

*Before his death, CIA suicide bomber met Pakistan Taliban leader*

By Zahid Hussain

ISLAMABAD—A Pakistani television network Saturday showed the suicide bomber who killed seven Central Intelligence Agency operatives in Afghanistan sitting with a Pakistani Taliban leader, a clip that underlined the close connection between Pakistani tribal militants and al Qaeda, which is suspected of being behind the attack.

The video, shown posthumously by a private Pakistani television channel, Aaj, showed Humam Khalil Abu Mulal al-Balawi vowing to avenge the death of the Pakistan Taliban leadership by carrying out attacks inside and outside America. The video was also broadcast by Qatar-based Arabic TV network Al Jazeera.

"We will never forget the blood of our emir, Baitullah Mehsud. We will always demand revenge for him inside America and outside," declared Mr. al-Balawi, a Jordanian double agent, sitting beside Hakimullah Mehsud.

Hakimullah Mehsud replaced Baitullah Mehsud as the chief of the Pakistan Taliban after Baitullah Mehsud was killed in August by a U.S. drone attack on his house in South Waziristan in Pakistan's tribal region on the Afghan border. His death was hailed as one of the major successes of the U.S. campaign of drone attacks inside Pakistan.

Wearing traditional Pashtun ethnic dress and a camouflage jacket, the bearded Jordanian doctor spoke in Arabic and its English translation was posted on the Web sites of the TV channels. In the 90-second video, Mr. al-Balawi said: "The emigrant for the sake of God will not put his religion on the bargaining table and will not sell his religion even if they put the sun in his right hand and the moon in his left", according to the Al Jazeera Web site.

Mr. al-Balawi, a 32-year-old medical doctor was apparently recruited by Jordanian intelligence to help capture top al Qaeda leaders and had attracted interest from U.S. intelligence as a potential asset. He blew himself up in a meeting at a CIA forward base in eastern Afghanistan's Khost province on Dec. 30.

The video was released Saturday by Tehrik-e-Taliban Pakistan, the main Pakistan Taliban faction, which had earlier claimed the responsibility for the attack. Pakistani security analysts said the deadly suicide assault on the Americans demonstrated the close nexus between al Qaeda, Pakistani Taliban and Afghan Taliban. The Pakistan and Afghan Taliban movements are affiliated but often operate independently.

"It is clear that Pakistan Taliban has close connections with al Qaeda and is providing logistical support to the terrorist network," said Mahmood Shah, a retired Pakistani brigadier who also served as a chief security official in the Pakistani tribal region.

It isn't clear when the video was recorded. But a Pakistani intelligence official said it appeared to have been taken in South Waziristan, a stronghold of the Pakistan Taliban led by Hakimullah Mehsud. The official said it was likely taken before the start of a Pakistan military offensive on the region in October.

The military says its forces have cleared most of South Waziristan from the Taliban but no top militant leader has been killed or captured. Hakimullah Mehsud and other top commanders are believed to have taken refuge in neighboring North Waziristan, also a stronghold of the Haqqani network, led by Afghan Taliban commander Sirajuddin Haqqani.

"It seems that Haqqani and Hakimullah Mehsud are now closely cooperating with each other," said Mr. Shah. He said the attack on the CIA camp in Khost appeared to have been planned by al Qaeda's top leadership with the cooperation of the Haqqani group and the Pakistan Taliban.

There has been a marked increase in missile attacks from U.S. pilotless drones in North Waziristan since the suicide bomb killed the CIA operatives.

On Friday, four people were killed when a pair of missiles fired by a drone hit a house and a vehicle in a village near Miranshah, the main town in North Waziristan. On Saturday, five were killed when two missiles from a drone struck a compound in Ismail Khel village. It was seventh drone strike since the sucide attack on the CIA Afghan base.

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WORLD NEWS

# Vietnam questions Qantas employees

*Inquiry focuses on fuel-hedging trades; airline's CEO says two Australians barred from leaving the country did no wrong*

By James Glynn And Lyndal McFarland

SYDNEY—Two senior Qantas Airways Ltd. employees being barred from leaving Vietnam pending an investigation into profit losses have done nothing wrong, Chief Executive Alan Joyce said Saturday.

The two Australians—Daniela Marsilli and Tristan Freeman—are being prevented from leaving the country as authorities investigate loss-making fuel-hedging trades. Ms. Marsilli is chief operating officer and Mr. Freeman is chief financial officer of Vietnamese airline Jetstar Pacific, in which Qantas owns a 27% stake.

"The losses that occurred were as a consequence of normal business risk," Mr. Joyce said. "If that is the case then there are absolutely no issues involved legality-wise."

Mr. Joyce confirmed that the former CEO of Jetstar Pacific, Luong Hoia Nam, has been arrested by Vietnam police in relation to the losses, which came to almost 34 million Australian dollars (US$31 million).

Mr. Nam, 47 years old, stepped down as chief executive of Jetstar Pacific in November for personal reasons. Mr. Joyce said the fuel-hedging trades cost the airline "hundreds of millions."

Rising fuel costs and then the global financial crisis weakened the airline's balance sheet. This was not uncommon for airlines around the world, he said.

Agence France-Presse/Getty Images

Qantas CEO Alan Joyce, seen in Sydney last week, says the carrier's employees being questioned in Vietnam did no wrong.

Mr. Joyce said he expected the matter wouldn't affect the airline's business in Vietnam, adding it hadn't dented his confidence in doing business in the country.

"We believe the business up there is a very good business...The business is going in the right direction. Our employees are working very hard to turn that business around," he said.

Asked if there was risk that the airline would be asked to pay some form of compensation, he said the idea wouldn't be considered.

"We believe it is normal activity and any speculation around anything else is simply something we won't entertain," he said.

Qantas is receiving close support from the Australian government, Mr. Joyce said.

A spokesman for Australia's Department of Foreign Affairs and Trade said Friday that the Australian government was assisting Qantas and the two Jetstar Pacific employees.

It isn't clear when Vietnam barred the executives from traveling. The Australian government spokesman said department officials raised the issue with the Vietnamese ambassador in Canberra on Dec. 24. The two haven't been detained.

The episode is the second move in four years by the Vietnamese government against officials from foreign companies over trading losses.

In November 2006, the former ABN Amro Holding NV paid US$4.5 million to a state-owned Vietnamese bank to compensate it for losses sustained in disputed foreign-currency trades, according to Vietnamese officials. The payment apparently was made to speed up the release of four detained Vietnamese ABN Amro employees. The Dutch bank, now owned by Royal Bank of Scotland Group PLC, Banco Santander SA and the Dutch government, defended its role in the trades and said it did nothing wrong.

The detentions were a black mark on Vietnam's record at a time when it was trying to attract foreign investment. The payment came after Vietnamese Prime Minister Nguyen Tan Dung intervened in the case, advising all parties involved to find a way to resolve the dispute.

Soured trades have become a point of contention elsewhere in Asia amid the financial crisis. Chinese officials publicly lashed out at U.S. investment banks last year after some of the nation's airlines realized big losses on hedging contracts.

Jetstar Pacific's shareholders include Qantas; Vietnam's State Capital Investment Corp.; Saigon Tourist Holding Co.; and Mr. Nam, who holds a small stake.

# Pyongyang honors leader's son on birthday

By Jaeyeon Woo

SEOUL—North Korea held events to celebrate what is believed to be the 28th birthday of ruler Kim Jong Il's youngest son, according to aid groups and others with contacts there, adding to speculation that the younger Mr. Kim is being groomed to take over from his father.

High-ranking military and Communist Party officials at one of the events were told to serve Kim Jong Un, the third of the elder Mr. Kim's sons, as "another great leader" for the country, according to South Korean media outlets that monitor affairs in the North. People sang songs to praise Kim Jong Un and pledged their loyalty to him, according to media and North Korea-focused groups, which also said party officials held lectures to glorify the greatness of the Kim family.

Like much of what happens in North Korea, the level of participation and official encouragement wasn't clear. South Korea's Unification Ministry, which oversees relations with the North, played down reports that the celebrations amounted to a national holiday, saying it wasn't aware of any public announcements. The birthdays of North Korean founder Kim Il Sung and his mother, Kim Jong Sook, are national holidays in the insular country, as is the current leader's birthday.

"Kim Jong Un still keeps a low profile in the North where ordinary people are not familiar with him, so we believe it is premature to tell whether any major move will occur soon in the North," said Lee Jong Joo, deputy spokeswoman from the Unification Ministry.

Still, the reports add to signs that the younger Mr. Kim is accruing increasing responsibilities. Speculation about a power shift in Pyongyang has been swirling since Kim Jong Il suffered a stroke in the fall of 2008, though the timing of any succession announcement is unclear.

"Senior Kim is still in charge of big outside matters such as nuclear issues and U.S. relations, but Kim Jong Un is already deeply involved in internal matters including personnel management inside the party," said Ha Taekyeong, executive director for Seoul-based Open Radio for North Korea.

Kim Jong Un is leading a 100,000-unit housing project in Pyongyang to replace older housing with modern apartments, Mr. Ha said, citing his informants there. North Korea's official Rodong Sinmun newspaper reported in October that Kim Jong Il visited some of the finished apartments and expressed "great satisfaction with the successful building." The project is touted as part of the North Korean regime's effort to achieve a "strong and prosperous" nation by 2012, the 100th anniversary of the birth of Kim Il Sung.

"Nobody is sure about what is happening in the North. But all the information I've gathered points to the fact that an unpublicized succession process is unfolding," said Lee Dong-bok, a former South Korean lawmaker and current president of the Seoul-based North Korea Democratization Forum, a North Korea democracy group.

Kim Jong Un is believed to have been educated at the International School of Bern in Switzerland. According to Kenji Fujimoto, a former Japanese chef to Kim Jong Il who published his memoirs in 2003, the youngest Kim is a "spitting image of his father in terms of face, body shape and personality."

# Attack on Chevron pipeline further strains Nigeria

By Will Connors

ABUJA, Nigeria—An attack on a crude-oil pipeline operated by U.S. oil giant **Chevron** Corp. is the latest in a series of political and security setbacks for this embattled West African nation.

On Friday, unknown gunmen attacked Chevron's Makaraba-Utonana pipeline in Delta state in southwestern Nigeria, said a person in the industry familiar with the situation. The attack forced the company to cut its production by 20,000 barrels a day, a Chevron spokesman said. The spokesman said Chevron was "assessing the situation," and that it is "committed to the safety and security of its employees and the protection of the environment in all its operations."

A Nigerian military spokesman couldn't be reached for comment on the attack.

The attack could threaten an amnesty deal for militants that bound the government and Nigerian militants in a shaky four-month ceasefire. In October, thousands of suspected militants turned in their weapons to avoid arrest. During that time, Western oil companies, including Chevron, **Exxon Mobil** Corp. and **Royal Dutch Shell** PLC. were able to increase Nigeria's oil production to almost two million barrels a day from about 1.6 million barrels.

Friday's pipeline assault is the latest blow for Nigeria, Africa's most populous country and a fragile regional power now grappling with an assortment of security challenges.

The nation has come under intense scrutiny by the U.S. and other governments following an attempted bombing of a Detroit-bound plane on Christmas Day, allegedly by Nigerian Umar Farouk Abdulmutallab. Mr. Abdulmutallab has pleaded not guilty to six charges.

Last week, the U.S. Transportation Security Administration placed Nigeria on a list of 14 countries whose passengers will undergo increased security checks upon entering the U.S.

Nigeria is scrambling to limit diplomatic damage from the attack. It has ordered 10 full-body scanners for use at its four international airports, according to a government official. Four scanners donated by the American government in 2007, originally meant only for use in antidrug-trafficking work, are already in the process of being installed for general passenger use, the official said.

The security troubles have hit Nigeria at a politically delicate time. Nigerian President Umaru Yar'Adua has been absent from the country for more than six weeks, receiving medical treatment in Saudi Arabia for a heart condition.

Still, the Nigerian president's absence has become a cause for concern among those investing in the oil-rich but volatile Niger Delta. Chevron is currently in negotiations with the government to renew several expiring oil leases. President Yar'Adua's absence forced a halt to the negotiations, a Chevron executive said in an earlier interview. Shell is also working to renew expiring oil licenses. Exxon Mobil signed a deal for three expiring leases in December for another 20 years with an option to renew.

A separate incident occurred at a Chevron facility near the pipeline attack on Jan. 4. Nigerian soldiers shot and killed two contract workers and injured four others at a Chevron gas project when a skirmish erupted after the soldiers blocked workers from entering the property.

WORLD NEWS

# Airport full-body scanners arriving

*U.S. plans to buy 450 machines, Europe weighs wider use; some lawmakers, privacy groups and airlines express concern*

By Cam Simpson And Daniel Michaels

The alleged failed Christmas Day airline bomb attempt is opening the door to wider deployment of full-body-imaging machines at airports across the U.S. and possibly Europe, despite reservations from some members of Congress, privacy advocates and airlines.

The U.S. Transportation Security Administration now plans to buy a total of 450 body-scanning machines—more than 10 times the number now in use. Following the alleged bombing attempt, the Department of Homeland Security announced it would buy 300 body-scanning machines this year. The government had earlier announced plans to buy 150 machines.

There are about 40 full-body scanners in use as part of a pilot program at 19 U.S. airports. European Union officials also are discussing plans to expand the use of body-imaging scanners.

Privacy and other concerns had slowed the installation of body scanners on both sides of the Atlantic. The machines can produce detailed images of a person's body. Umar Farouk Abdulmutallab, the man accused of trying to blow up the Northwest Airlines jet over Detroit, had explosives sewn into his undergarments, U.S. officials have charged.

**The International Air Transport Association has taken a 'cautionary view' on body scanners, and concerns about privacy implications remain.**

The close call over Detroit has lifted the profile of **OSI Systems** Inc., the parent company of the U.S. government's largest supplier of body-scan machines, Rapiscan Systems Inc. Rapiscan's technology produces a full-body image that sees through clothes. The Rapiscan systems use low-level X-rays, while attached computers deploy algorithms the U.S. government says will maintain privacy, mostly by obscuring faces.

After testing Rapiscan against the existing vendor, L-3 Security & Detection Systems, a division of **L-3 Communications Holdings** Inc., the government in October said it would purchase the 150 new machines from Rapiscan.L-3 makes the 40 machines that have been deployed by the TSA.

DHS officials would not say last week how quickly the 450 new machines would be deployed, or where. But political pressure on the agency since the alleged failed plot is likely to push officials to move fast.

Still, concerns about the effectiveness of the technology and its privacy implications remain.

The International Air Transport Association has taken a "cautionary view" on body scanners, said Steve Lott, a spokesman for the trade group representing international airlines. One of the main issues is privacy concerns, said Mr. Lott. The group is also concerned about how the machines could slow the passenger screening process, and how they will fit logistically with current airport design.

Cost is another factor airlines are considering, as they are worried that the government will assess them fees for the added security expenses. "Before spending so much money, test the machines in a real environment and see how they affect the flow," said Mr. Lott.

Christopher Bidwell, vice president of security for the Airports Council International's North American arm, said that because the TSA procures and installs the advanced imaging technology, his trade group has asked the agency to coordinate closely with airports. "A lot of airports are space-constrained, so it [the technology] might not be appropriate for all airports," said Mr. Bidwell.

In Congress, an amendment blocking the use of full-body scanners as the main way of screening passengers who don't fit risk profiles, offered by Rep. Jason Chaffetz (R., Utah), was passed by the House in June by a vote of 310-118.. The Senate has not yet taken up the legislation.

The Privacy Coalition, a network of U.S. groups that advocates for privacy rights, sent a letter to Homeland Security Secretary Janet Napolitano the same week the bill passed the House asking her to suspend the use of the scanners. The letter was signed by 34 member organizations, including the American Civil Liberties Union and Gun Owners of America.

Mr. Chaffetz has indicated that he would be willing to drop the issue if the scanners used technology that ensured a passenger could not be identified during the scan.

Meanwhile, aviation-security specialists from the European Union, airlines and airports met Thursday in Brussels to discuss issues raised by the alleged Christmas Day bombing attempt. A major issue was the use of full-body scanners, said Fabio Pirotta, spokesman for the EU Transport Commission. "There was unanimous agreement on the need for a coordinated EU approach, which could include scanners, but there is no concrete proposal yet," he said.

The EU last year tried to begin setting rules on full-body scanners, but abandoned the effort after objections from some member-states and members of the European Parliament, Mr. Pirotta said. Objections were based on privacy concerns and questions about health affects of the devices.

But governments of EU member-countries are free to set security standards stricter than EU-wide rules, which some have announced they are doing.


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MANAGEMENT

# The best—and worst—of jobs for 2009

*Actuary tops list for U.S. careers and roustabout ranks lowest; musical-instrument repairer is the least stressful*

By Sarah E. Needleman

At least twice a month throughout the recession, headhunters have dangled job opportunities in front of Ryan McAllister, an actuary for **Fireman's Fund Insurance** Co. in Novato, Calif. "If I were ever unhappy with my employer, I could pick up the phone and find something else very quickly," says the 28-year-old Mr. McAllister. He joined the high-net-worth property and casualty insurer after graduating in 2005 from the University of California at Davis, with a bachelor's degree in applied mathematics.

Being in high demand is just one reason actuary landed at the top spot on a newly released study ranking of the 200 best and worst jobs in the U.S. The findings were based on five criteria: environment, income, employment outlook, physical demands and stress. Les Krantz, author of "Jobs Rated Almanac," compiled the rankings from the U.S. Bureau of Labor Statistics and the Census Bureau, as well as studies from trade associations and his own expertise.

Actuaries, who evaluate the financial impact of risk on an organization, fared best because they work during standard business hours and in favorable conditions—indoors and in places free of toxic fumes or loud noise—as opposed to those jobs toward the bottom of the list such as iron worker, dairy farmer and the biggest loser from last year's study, lumberjack.

They also aren't expected to do any heavy lifting, crawling or crouching—attributes associated with occupations like bricklayer, auto mechanic and roofer, also near the bottom of the list. (The physical demands of a job were measured using formulas devised by the U.S. Department of Labor, with higher scores given to jobs involving great exertion.)

Fireman's Fund Insurance Co.

Ryan McAllister, an actuary, has had many jobs dangled in front of him.

The study, commissioned by job site CareerCast.com, also looks at pay, which was determined by measuring each job's median income and growth potential. (CareerCast.com is published by **Adicio** Inc., in which Wall Street Journal owner **News Corp.** holds a minority stake.)

Mr. McAllister says he earns a total annual compensation within the average range for actuaries in his niche with four years of experience—between $91,000 and $133,000, according to global recruitment firm DW Simpson, based in Chicago.

"If you enjoy and understand numbers, but also want to be involved in a fast-paced business environment, it's a perfect opportunity to merge those two interests," he says.

Qualifying for actuary jobs generally requires first passing a series of exams, in addition to obtaining a minimum of a bachelor's degree in an analytical field, such as statistics or economics. "For the first five to 10 years you're locked in a room studying. It's a big commitment," says Mr. McAllister.

Other jobs at the top of the study's list include software engineer, computer-systems analyst, biologist, historian and last year's winner, mathematician, which fell to No. 6 due to the recession's impact on the number of employment opportunities available.

Meanwhile, musical-instrument repairer, No. 62 overall, was identified as the least-stressful job, followed by medical-records technician. But Sean McGarry, who fixes broken guitars and other stringed instruments at Third Coast Guitar Service Inc. in Chicago, says his job is often nerve-racking. "Some instruments we work on are worth between $50,000 and $100,000," Mr. McGarry says. And he says he earns just $30,000 annually.

Replacing strings, fingerboards and bindings using precision tools also can cause minor injuries. "Every one of us who works here has one or two bouts of tendinitis a year," says Mr. McGarry, 36.

Of course, that isn't much compared with the kind of pains common to firefighting, the most stressful and physically demanding job identified in the study, and No. 188 overall. Even so, Matt Brett quit a recruiter position (No. 55) at Yahoo Inc. in 2007 to take up the profession for about half his previous income.

"It's more in line with my values," he says. "Obviously you can get killed any day you go to work. But the culture is very unique and a lot of people get into it because they want to do something helpful."

Mr. Brett, 37, often works 48-hour shifts for the Livermore-Pleasanton Fire Department in Pleasanton, Calif. He says firefighters continuously engage in training to avoid getting hurt, and with time, the job becomes easier. "You get more comfortable with each type of thing thrown at you, so stress goes down over time," he says.

The job that ranked lowest overall in 2009? Roustabout. Also known as roughnecks, roustabouts typically work outdoors maintaining oil-field equipment used to produce natural gas, which is highly flammable. "We take safety precautions that outweigh the hazards," says Johnny Wall, a 26-year-old roustabout for Chesapeake Energy Corp., based in Oklahoma City, Okla. Recently he replaced a broken valve in freezing weather. "You're out there freezing," says Mr. Wall, who works weekdays from 7 a.m. until around 4:30 p.m.

Still, he says he likes knowing that his efforts help to provide a basic necessity—energy. "People are relying on us," he says.

## The Power List

The top business leaders in Asia making headlines last week in select global and regional media. Powered by Dow Jones Factiva and edited for relevance and clarity.

### RATAN TATA

Chairman
Tata Motors

As the auto world converged on the Auto Expo in New Delhi last week, Mr. Tata said his company was working to bring its low-cost Nano mini car to the U.S. in about three years.

### LI KA-SHING

Chairman
Hutchison Whampoa

One of Asia's richest men moved to take his company's unprofitable Hutchison Telecommunications International unit private in a $545 million deal.

### ED BASTIAN

President
Delta Air Lines

The U.S. airline will keep its $1.1 billion aid package for Japan Airlines on the table even if JAL files for bankruptcy protection, Mr. Bastian said, keeping alive its battle with American Airlines parent AMR Corp. over tighter ties with the troubled carrier.

### KOICHI KONDO

Executive Vice President
Honda Motor

Speaking at the New Delhi Auto Expo, Mr. Kondo said auto sales in the developed world have bottomed out but will still need time to recover.

### JIANG JIEMIN

General Manager
China National Petroleum Corp.

The company moved to contain a diesel spill on a Yellow River tributary that posed a threat to a major water source. Mr. Jiang said Jan. 4 that preliminary efforts had succeeded but that more work was needed.

Photos: Bloomberg News (Tata); Agence France-Presse (Li); Associated Press (Bastian); Agence France-Presse/Getty Images (Kondo); Reuters (Jiang)

Compiled by Carlos Tejada/ The Wall Street Journal

# The Drone Wars

The Obama Administration has with good reason taken flak for its approach to terrorism since the Christmas Day near-bombing over Detroit. So permit us to laud an antiterror success in the Commander in Chief's first year in office.

Though you won't hear him brag about it, President Obama has embraced and ramped up the use of unmanned aerial vehicles, or drones. As tactic and as a technology, drones are one of the main U.S. advantages that have emerged from this long war. (IEDs are one of the enemy's.) Yet their use isn't without controversy, and it took nerve for the White House to approve some 50 strikes last year, exceeding the total in the last three years of the Bush Administration.

From Pakistan to Yemen, Islamic terrorists now fear the Predator and its cousin, the better-armed Reaper. So do critics on the left in the academy, media and United Nations; they're calling drones an unaccountable tool of "targeted assassination" that inflames anti-American passions and kills civilians. At some point, the President may have to defend the drone campaign on military and legal grounds.

The case is easy. Not even the critics deny its success against terrorists. Able to go where American soldiers can't, the Predator and Reaper have since 9/11 killed more than half of the 20 most wanted al Qaeda suspects, the Uzbek, Yemeni and Pakistani heads of allied groups and hundreds of militants. Most of those hits were in the last four years.

European Pressphoto Agency

"Very frankly, it's the only game in town in terms of confronting or trying to disrupt the al Qaeda leadership," CIA Director Leon Panetta noted last May. The agency's own troubles with gathering human intelligence were exposed by last week's deadly bombing attack on the CIA station near Khost, Afghanistan.

Critics such as counterinsurgency writers David Kilcullen and Andrew Exum allege that drones have killed hundreds, if not thousands, of civilians. The U.N. Human Rights Council's investigator on extrajudicial executions, Philip Alston, has warned the Administration that the attacks could fall afoul of "international humanitarian law principles."

Civilian casualties are hard to verify, since independent observers often can't access the bombing sites, and estimates vary widely. But Pakistani government as well as independent studies have shown the Taliban claims are wild exaggerations. The civilian toll is relatively low, especially if compared with previous conflicts.

Never before in the history of air warfare have we been able to distinguish as well between combatants and civilians as we can with drones. Even if al Qaeda doesn't issue uniforms, the remote pilots can carefully identify targets, and then use Hellfire missiles that cause far less damage than older bombs or missiles. Smarter weapons like the Predator make for a more moral campaign.

As for Mr. Alston's concerns, the legal case for drones is instructive. President Bush approved their use under his Constitutional authority as Commander in Chief, buttressed by Congress's Authorization for the Use of Military Force against al Qaeda and its affiliates after 9/11. Gerald Ford's executive order that forbids American intelligence from assassinating anyone doesn't apply to enemies in wartime.

International law also allows states to kill their enemies in a conflict, and to operate in "neutral" countries if the hosts allow bombing on their territory. Pakistan and Yemen have both given their permission to the U.S., albeit quietly. Even if they hadn't, the U.S. would be justified in attacking enemy sanctuaries there as a matter of self-defense.

Who gets on the drone approved "kill lists" is decided by a complex interagency process involving the CIA, Pentagon and White House. We hear the U.S. could have taken out the radical cleric Anwar al-Awlaki after his contacts with Fort Hood shooter Major Nidal Hassan came to light in November, missing the chance by not authorizing the strike. Perhaps al-Awlaki's U.S. citizenship gave U.S. officials pause, but after he joined the jihad he became an enemy and his passport irrelevant.

Tellingly, after the attempted bombing over Detroit, the Administration rushed to leak that Yemenis, with unspecified American help, might have killed al-Awlaki in mid-December in a strike on al Qaeda forces. Al-Awlaki, who also was also in contact with the Nigerian bomber on Northwest Flight 253, may have survived.

While this aggressive aerial bombing is commendable against a dangerous enemy, it also reveals the paradox of President Obama's antiterror strategy. On the one hand, he's willing to kill terrorists in the field, but he's unwilling to hold these same terrorists under the rules of war at Guantanamo if we capture them in the field. We can kill them as war fighters, but if they're captured they become common criminals.

Our own view is that either "we are at war," as Mr. Obama said on Thursday, or we're not.

# The Long Jobs Wait

Sooner or later the U.S. economic recovery will start creating new jobs, we promise. But it sure is turning out to be a long, agonizing wait. The economy has been growing for at least six months, amid high productivity growth and rebounding corporate profits, yet employers still shed a net 85,000 jobs in December.

The jobless rate remained at 10%, but 15.3 million Americans are out of work. Employers still appear to be on strike, not laying off as they were in the early part of 2009, but not hiring new workers either. The 10% rate would have been even higher had the civilian labor force not shrunk by 661,000 workers in December. Only 64.6% of working age Americans are now in the labor force, the lowest in 25 years. The so-called total jobless rate—which includes discouraged workers no longer looking—ticked up to 17.3% from 17.2%.

> Policy uncertainty hurts hiring.

Perhaps most dismaying is that nearly four in 10 (39.8%) of the jobless have been unemployed for six months or more. The longer these Americans stay out of the workplace, the more their career prospects will suffer in an economy that rewards ever-higher skills.

The long-term danger is that the U.S. labor market becomes more like Europe's, with workers who have jobs doing fine while millions of others can't get full-time work. Congress hasn't helped this trend by reducing the incentive to job hunt by extending jobless benefits—another example, like the minimum wage, in which Congress does tangible harm in the name of compassion.

We can't blame employers for their caution. With so much policy uncertainty out of Washington and the state capitals, no one can be sure what they will pay for energy (rising oil prices, cap and trade) or new regulation (antitrust), how high their taxes will rise, and how much each new employee will cost (health care). In this kind of world, employers will wait as long as possible to add new workers.

With trillions of monetary stimulus in the pipeline, the economy will grow and employment will rise in 2010. The sooner Congress stops doing damage, the faster that will be.

# A Taiwan Lesson

President Obama did right by Taiwan last week, allowing the sale—over Beijing's loud protests—of sophisticated antimissile batteries to the island democracy. We'll take that as a sign that there's a limit to how far the Administration is willing to go to improve relations with China at the expense of America's democratic allies.

> Obama sells arms to an ally.

The Bush Administration originally proposed the sale of an advanced Patriot ballistic missile interceptor system, or PAC-3, in 2001, as part of a package that included helicopters, submarines and technology upgrades. But Taiwan was eventually only offered about half of the deal, thanks to political bickering in Washington and Taipei. The formal request to Congress for the sale was only submitted in October 2008.

Meantime, the People's Liberation Army has more than 1,000 missiles pointed at Taiwan's 23 million people, and the Pentagon says it is adding about 100 missiles every year. Then there are the over 60 submarines China has patrolling the waters, plus its development of cyberwarfare capabilities and other asymmetrical threats. Taiwan itself can't possibly win an all-out war against China, but with U.S. help it can make the costs of a Chinese attack too prohibitive to contemplate seriously.

The argument against U.S. arms sales is that it clouds prospects for better relations between Taiwan and the mainland. But as Taiwanese President Ma Ying-jeou—a vocal advocate for a rapprochement with Beijing—has argued, the arms sales help the Taiwan-China dialogue by allowing Taipei to negotiate from a position of strength. Washington's own relationship with Beijing has hardly suffered over the three decades in which the U.S. has been selling arms to Taipei under terms of the 1979 Taiwan Relations Act.

None of this has prevented China from denouncing the deal, as it has previous sales. A Chinese government spokeswoman said Thursday the PAC-3 sale would cause "serious harm." China is also worked up about Taiwan's request to buy 66 F-16s to bolster its aging air force. The latter is still outstanding, as is about $6 billion worth of items that the Bush Administration didn't put forward for sale, such as Black Hawk helicopters, minesweepers and diesel submarines.

President Obama would be wise to approve those sales. As he has learned in recent months, his overtures to China—including his refusal to meet with the Dalai Lama—haven't been reciprocated in better cooperation on North Korea, Iran and other vital U.S. interests. The sooner Beijing learns this Administration will stand up for its friends, the friendlier it will itself become.

OPINION

# Can AIG Be Saved?

**[ The Journal Interview with Hank Greenberg ]**

By Holman W. Jenkins, Jr.

Goldman Sachs has a new enemy—as if it needed another one.

Hank Greenberg, as we sit in his Park Avenue office, is telling me how to do my job, saying reporters need to get to the bottom of the events that preceded and followed the government bailout of AIG, the insurance company he built into a global giant.

In particular, they need to get to the bottom of the part played by the investment bank of Goldman Sachs. He waves a sheaf of press reports from the New York Times, Washington Post and McClatchy papers about the firm's doings before and during the subprime meltdown. "We're dealing with a jigsaw puzzle where all the pieces are not in the box. Bit by bit, we're getting the pieces. The pieces are failing into place and the picture on the face of the puzzle is not a pretty picture."

Let me get this straight. Is Mr. Greenberg saying the machinations of Goldman Sachs were responsible for the disastrous failure of AIG amid the recent financial crisis? "Well, it certainly wouldn't be difficult to come to that conclusion."

Until a few years ago, Mr. Greenberg was enjoying a stellar career as an insurance CEO, but not a melodramatic one. That all changed in 2005 when he became one of several business titans turned into unwilling stepping stones for the advancement of an ambitious New York attorney general named Eliot Spitzer.

Mr. Greenberg, a genuine captain of industry but little known to the public, had built AIG over 30 years to become the biggest and most admired company in the global insurance industry. Then Mr. Spitzer, riding a wave of righteous distrust of business after Enron, accused him and AIG of accounting fraud. Mr. Spitzer, on national television, pronounced Mr. Greenberg guilty even before any evidence had been presented to a jury.

AIG was on the rack, its business about to be destroyed if Mr. Spitzer criminally indicted the firm. So the board jettisoned its long-serving chief to appease the crusading attorney general. Mr. Greenberg, at age 80, settled in for what he must have known would be a long siege of lawsuits and regulatory investigations to occupy his declining years. He couldn't have anticipated, though, that the drama of his non-retirement was only just beginning and would lead to a fight in which something even bigger than his reputation would be at stake—the very survival of the firm he'd built and been ousted from.

That's exactly what came to pass. In the months after he left, AIG amped up its bets on the housing market by writing what where, in effect, insurance policies on derivative securities backed by subprime mortgages. These securities were created by Wall Street firms, notably Goldman Sachs, and held on their own books or sold to investors. AIG, in turn, had committed not only to insure them again eventual loss, but to make cash payments in the meantime to compensate for any drop in price or downgrade of their Triple-A ratings by credit agencies—both of which promptly happened as housing collapsed and panic spread about the possible failure of large financial institutions.

Suddenly, AIG was bleeding vast amounts of cash at a time when a spooked market was increasingly unwilling to lend to the firm. Finally, Washington stepped in to prevent AIG's bankruptcy, fearing the alternative was an economic meltdown.

How did it all come apart so quickly? Here are the pieces Mr. Greenberg says he sees falling into place. In 2005, a trade group called the International Swaps and Derivatives Association got together and drafted new standards for the kinds of credit default swaps AIG had been writing.

Previously, Mr. Greenberg explains, losses to the underlying securities were paid off at maturity. Now, cash payments would have to be forthcoming to cover any drop in value or credit downgrades even before any losses were realized.

"I don't know whether Goldman Sachs was the force behind the ISDA change or Deutsche Bank," Mr. Greenberg concedes. "That's something investigative reporters are going to have to spend time digging out."

The next piece fell into place, he says, with recent reports in the press about how, at the top of the housing bubble, "a couple of people there [at Goldman Sachs], bright guys, decide the housing market is going to collapse." Goldman went to work creating new subprime housing-backed derivatives , Mr. Greenberg says, and "began marketing the hell out of them and at the same time shorting them" (or betting they would fall in value).

* * *

Bingo. When the housing boom imploded, Goldman demanded giant cash collateral payments from AIG on a "mark to market" basis for housing-backed securities whose price was plummeting even if the underlying payment streams were intact. True, Goldman was hardly the only one demanding cash, but Mr. Greenberg is suspicious about the size of the payments Goldman demanded based on Goldman's own "marks" (i.e. estimate of the securities now-depressed value). "Goldman had the lowest marks on the Street by everything I hear," he says. "There was no exchange. Where was the price discovery? It was all in the eye of the beholder."

In short, it added up to a perfect trap for AIG. As panic spread through the financial sector, impossible amounts of cash were required of the firm under insurance contracts that had years to run and (as Mr. Greenberg argues and events seem to be showing) would likely end up performing adequately in the long run.

But this is just half the puzzle, he says. When the government took over AIG, why did it insist that Goldman and other firms receive 100 cents on the dollar on their AIG exposure, while the terms of AIG's own bailout were so onerous as to force the firm into slow-motion liquidation? When the government's bailouts of Citigroup, Bank of America, GM and Chrysler were clearly designed to restore the firms to health, why was AIG's apparently designed to create a wasting asset that would wither and die in taxpayer hands?

Zina Saunders

Most of all, he cannot fathom why Treasury and the Federal Reserve let billions of dollars in taxpayer cash fly out the backdoor to Goldman and other firms. Washington could simply have ordained that AIG's debts were the government's debts and so no collateral was due give Uncle Sam's bulletproof credit rating.

Mr. Greenberg has no doubt the destruction of AIG was the politically-dictated goal at the time. He points to Treasury Secretary Hank Paulson's statement on Sunday morning television shortly after the rescue, saying the purpose was to "allow the government to liquidate" the company.

Mr. Greenberg invokes the loaded constitutional word "takings" for the government's seizure of a 79.9% stake in AIG as part of the package dictated to the company's board. "They just took the goddamn thing. What's the basis for taking it? You gotta explain, How did you get to 79.9%? I'd be curious to know."

From his present perch, he sees only three ways the AIG mystery will ever be plumbed. "Either investigative journalists continue to add the missing pieces of the puzzle," he says. "Or, two, members of Congress call for an investigation and put people under oath. Or, three, if these two things fail, aren't there likely to be class-action suits that put people under oath in depositions and discovery?"

Mr. Greenberg recognizes he's playing a dangerous game here, since his goal ultimately is to coax Washington into softening the terms of the AIG bailout.

For one thing, the obvious party to lead a class-action shareholder lawsuit is none other than Mr. Greenberg himself, in his status as chief of Starr International, a company that for decades has been the largest single holder of AIG shares (and a whole other story in itself). Indeed, he acknowledges that he and other large shareholders have batted around the idea of a lawsuit. Fellow investors wanted him to take the lead, but he demurred, saying his other AIG-related litigation at the time and his Spitzer victimization had made him too much of a lightning rod. His fellow investors, however, were no keener on serving as lead plaintiff, fearing to antagonize the government and not wishing a distraction from their main business of portfolio management.

For the time being, then, a lawsuit challenging the AIG takeover is not in the cards, but Mr. Greenberg hasn't given up on political suasion. His goal is a major revision of the terms of the bailout to put private capital back in charge—a goal he quite evidently believes can be advanced by airing the secret history behind the AIG debacle.

"There's too much smoke, too many smart people asking questions that deserve an answer. I would hope that investigative reporters do the job they love to do and bring out the truth. I would hope that Congress would then say we must do something about this in all fairness. The American people should know about this and then bring about the changes necessary to avoid the total destruction of a great company that was the pride of America in the insurance industry."

To that end, he has drawn up (with the help of investment banker Joseph Perella) a plan that's now in the hands of Treasury and the Fed. He wants the government's $112 billion loan stretched out to, say, 20 years and the interest rate slashed to something closer to the government's own cost of borrowing.

He also wants Washington unilaterally to dial back its 79.9% stake in the firm. Taxpayers would be better off, he says, effectively returning a big chunk of the government's stake to AIG's existing shareholders. Majority government ownership only serves to scare off the private capital that could revive the firm as a taxpaying and job-creating corporate citizen. "In fact, if the government owned 15% or 20%," he says, "that would probably be worth more in the marketplace than the 79.9%."

Finally, he wants reform of Maiden Lane II and III, the Federal Reserve vehicles that relieved AIG of some of its subprime exposure and have been reaping the lion's share of the gains (75%, compared to 25% for AIG) as the securities rebound in value now that the economy is mending and the crisis has passed.

Of course, any softening or forgiveness of the AIG "rescue" terms would be politically fraught at this point. But if Mr. Greenberg is right, attitudes may evolve in the months ahead given public receptivity to a new storyline that AIG was a victim of Goldman sharpies. Hence another of his proposals—to have Goldman and other counterparties who seemingly profited from AIG's troubles return some of their taxpayer-subsidized winnings in the form of low-interest loans to help the insurer back on its feet.

Mr. Greenberg has been to the White House three times since Barack Obama became president, and not on social calls. But the discussions revolved around North Korea and foreign relations, issues of interest in his role as a leader of the organization Business Executives for National Security. On AIG, however, he keeps plugging away. "I don't give up easily. What was done, in my view, was done, as Paulson said, to liquidate the company. I think that was wrong. And I think it's important to fight against things that are wrong. A lot of people at AIG lost their life savings. They spent year after year building the greatest insurance company in history and we owe it to them to fight to help make the company great again and get back some of the value that was lost."

* * *

Mr. Greenberg has already got his reputation back. Mr. Spitzer was forced to leave office under shameful circumstances, and his supposedly open-and-shut case against Mr. Greenberg vanished. An SEC complaint was settled without Mr. Greenberg admitting guilt (and in fact denying it vehemently). A jury handed him a victory in a recent trial in which AIG claimed he and Starr International had improperly come by Starr's large holding in AIG stock.

But he's got at least one more battle to fight. As he points out with unimpeachable accuracy, politicians in Washington may hope the AIG situation will somehow take care of itself, but it won't. Sooner or later, the government will either have to give the firm its life back or pull the plug.

*Mr. Jenkins writes the Journal's Business World column.*

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OPINION

# Will Najib Razak Reform Malaysia?

By Karim Raslan

The fire-bombing of a number of suburban Kuala Lumpur churches over the past few days have highlighted the delicate balance of ethnic and religious interests in this generally peaceful, Muslim-majority nation. But just as importantly, the incidents have focused attention on Malaysian Prime Minister Najib Razak's leadership. After only nine months in office, he is facing a major challenge to his authority.

The church attacks are directly related to a recent High Court decision permitting non-Muslims to use the word "Allah" in Malay-language publications. For many Muslim Malays—and especially those from Mr. Najib's party, the United Malay National Organization (Umno), the decision constitutes an unprecedented affront to Malay dignity and Muslim sensitivities.

Yet other Malay Muslims, principally from the opposition Pakatan Rakyat coalition led by Anwar Ibrahim, perhaps mindful of their mounting political support from the country's sizeable minorities, have rejected this approach. Even Mr. Anwar's conservative Muslim party coalition partner, Parti Se-Islam Malaysia, has surprised middle-class Malaysians by joining the voices of moderation. Hadi Awang, a prominent leader of that party, chose to visit a wrecked church Saturday in a show of sympathy.

Mr. Hadi's gesture is important, and not only as a sign of respect for freedom of speech and religion. With large Chinese, Indian and Christian Bornean minorities,

Associated Press

All Saints Church, Perak, Jan. 10.

Malaysian politics has long been a deft exercise in power-sharing and mutual tolerance. The country's political landscape is in the process of being redrawn as Umno, once the arbiter of middle-of-the-road Malay decency, lurches towards an atavistic and extremist future.

This is all the more unfortunate given Mr. Najib's well-meaning—if ineffectual—attempts to move his party back to the center. His record since his accession to power in April last year has generally been positive. Understanding the extent of popular disenchantment with the Umno-led, National Front government after their drubbing in the March 2008 national polls, the prime minister has launched a number of reform initiatives, especially on the economic front.

In anticipation of the 10-member Association of Southeast Asian Nations Free Trade Agreement, Mr. Najib, who is also Finance Minister, announced a major service-sector liberalization in April 2009 that centered around scrapping certain provisions of the pro-Malay, affirmative-action New Economic Policy. The NEP, a mainstay of Malaysia for decades, was long seen as an impediment to foreign and local investment.

The prime minister is also embarking on a major reformulation of the Malaysian economy, recognizing the need to push the country into more innovation-driven, high-value industries and sectors. Moreover, to tackle the perennial problem of red-tape, Mr. Najib's administration is slated to deliver a series of "National Key Result Areas" directives to various ministries this year, which will ostensibly guide reforms and ensure better delivery of public services. Malaysians have responded positively to these initiatives. The prime minister's fondness for fancy abbreviations, such as the 1Malaysia slogan, is ridiculed by detractors, but it reflects his results-oriented approach.

However, Mr. Najib's deep roots in the ruling Malay elite (he's the son of a former premier) have also imbued him with an innate conservatism and caution when it comes to handling communal issues as well as the civil-liberties agenda. Here, catchy and upbeat slogans like the 1Malaysia campaign are not enough. Malaysians want root-and-branch institutional reform. Public trust in the police and the judiciary remains extremely limited. While Mr. Najib has indicated a willingness to curtail the ruling coalition, the National Front's interventionist approach in the economic sphere, he has been unable to loosen his government's stranglehold on the media and civil society.

Many Malaysians, particularly the young, want greater political freedoms, transparency and accountability. This has not happened, and justice remains elusive. Deaths in police custody and numerous corruption scandals continue to haunt the administration, eroding public confidence day-by-day. Thus the recent attacks jeopardize Mr. Najib's reforms as well as his credibility. Is his a government for all Malaysians? His inability to achieve a breakthrough in the nation's ethno-religious divide is becoming a palpable weakness.

Mr. Najib is also facing vociferous criticism from the far right-wing of Umno, led by the still-influential former Prime Minister Mahathir Mohamad. This group contained some of Mr. Najib's staunchest supporters as he rose to power, replacing his hapless predecessor, Abdullah Badawi. Unfortunately, Mr. Najib, whose inclinations have generally been moderate, is now in danger of being identified—if not overwhelmed—by the Mahathir camp's exclusivist agenda. Moreover, his inability to quell their rhetoric is also undermining his support amongst the non-Malay communities and indeed, many moderate Malays.

Adding to the complex situation, Umno's ethno-nationalist conservatives are becoming increasingly disgruntled with what they see as Mr. Najib's weakness in the face of challenges to Malay supremacy. The real or perceived dilution of Malay power and patronage is liable to cause a backlash. The vitriol attached to the "Allah" decision may well reflect this sentiment.

Mr. Najib is at a critical juncture. He must overcome Umno's right-wing constituency, which represents a serious threat to his government's success, to say nothing of his own personal legacy. To do that, he must take charge of the racial and religious agenda personally. Nor can he continue to ignore Malaysia's lagging civil liberties. Instead, he must display the same determination and courage that he brought to economic arena and steer his country back to calmer waters.

*Mr. Raslan, a syndicated columnist and self-employed consultant, is the author of "Ceritalah 3: Malaysia a Dream Deferred" (Marshall Cavendish, 2009).*

# The Taiwan Arms-Sales Equation

By Brian T. Kennedy

When most Americans think of China, they recall the majestic 2008 Summer Olympics, cheap goods and some relative or friend who has just returned from visiting the economic wonders of Shanghai or Beijing. When they hear about Chinese protestations over U.S. arms sales to Taiwan, as they did last week, they are often a bit surprised we even do such things anymore.

Yet the recent U.S. sale of Patriot antimissile systems to Taiwan is both strategically inadequate and long-delayed, and should be of great concern not merely to the Taiwanese but to the United States and its allies as well.

When they look at China, the people of Taiwan don't see skyscrapers and sparkling, brand-new cities; they see Beijing has amassed over 1,000 short- and medium-range missiles with conventional and nuclear warheads that can destroy or cripple their country. In addition, the 3.4-million member People's Liberation Army maintains an army, air force and navy and could mount an expeditionary force that, left unchecked, could invade and destroy the democratic island.

Even the most pro-trade U.S. policy makers must question why China adds hundreds of missiles to their large and deadly arsenal each year. They have enough to destroy Taiwan already. The answer of course is that China wants to intimidate the people of Taiwan, as they will intimidate the peoples of Asia, so that they ultimately accede to the demands of Beijing or face the consequences.

The essence of Taiwan's strategy is to possess whatever *defensive* measures will ensure the political administration of their free island. They do not sit under America's nuclear umbrella, such that the U.S. will engage in thermonuclear war with China, should China attack Taiwan. This fact was made plain in 1995, when Lt. General Xiong Guangkai of the People's Liberation Army warned a U.S. ambassador that Americans cared more for Los Angeles than they did Taipei. At that point, American policy makers should have taken more seriously the need for missile defense for the U.S. and its allies such as Taiwan. They did not.

As a practical matter, the defense of Taiwan requires substantial defensive forces and armaments to deter China from invasion or missile attack. It is not necessary or possible that Taiwan be able to invade and conquer mainland China. China must merely believe that an invasion of Taiwan would result in an island ruined and useless to them after a conflict, and that Beijing would be condemned on the world stage as a totalitarian aggressor. As a result, China would be left alienated from the world's economic and capital markets as countries would boycott their goods and investments and therefore deny them the resources to maintain their much-needed domestic economic growth.

**Cross-straits relations won't progress peacefully unless Taipei can defend itself from a Chinese attack.**

The 23-million citizens of Taiwan enjoy their freedom today because they have convinced, for now, China's ruling elite of these possibilities. But this persuasion may not last forever. As China grows in economic and military power, its leaders may lose patience with the Taiwanese and believe they could attack the island without repercussions. In today's globalized world, who, after all, doesn't need to do business with 1.3 billion Chinese?

Analysts of cross-strait relations argue that U.S. arms sales are mostly symbolic since, after all, Chinese will never kill Chinese. This is very reassuring to the average U.S. policy maker, who would like nothing more than to trade with China and create jobs in America. But we know from history, including our own, that nations fight civil wars for larger reasons and that indeed, the state of civil war between China and Taiwan has not ended. Because the average Congressman does not understand that China will go to war over Taiwan, arm sales lagged during the Bush administration and appear only now to be gaining interest in the Obama administration.

But current arm sales, however necessary, are not enough. If the Obama administration is serious about defending Taiwan, it would approve the sale of not merely the Patriot antimissile system, but also Aegis Cruisers with SM-3 interceptors to stop more lethal Chinese missiles and submarines for patrolling Taiwan's coast. And instead of F-16 fighter airplanes as their first line of defense, the U.S. would sell Taipei the more advanced F-22 and whatever radars and advanced technology would be required to make them effective.

Absent such serious defensive weaponry, the sale of arms is just a symbolic gesture rather than a meaningful military acquisition. If the U.S. wants peaceful cross-strait relations, then we must help the Taiwanese create a balance of power that ensures that any future dialogue over reunification be conducted without nuclear blackmail and military intimidation. The citizens of Taiwan may someday decide to rejoin their brothers on the mainland, but that day will come when they decide democratically that it is in their interest to do so.

Since the recognition of China in 1979, the U.S. has followed a policy of strategic ambiguity with regard to how far we would go in the defense of Taiwan. During that time, Taiwan has become a brilliant example of democratic freedom. It is this example that all Americans wish for all the Chinese people. There should be no ambiguity that the U.S. wishes this to continue and that we will help the people of Taiwan help themselves.

*Mr. Kennedy is President of the Claremont Institute in California and a member of the Independent Working Group on Missile Defense.*

**Comments?** The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

IN DEPTH

Getty Images

A woman and child contemplate London's post-holiday sales. While countries such as the U.S., Japan, France and Germany returned to growth in the third quarter of last year, U.K. GDP fell 0.2%.

# Britain's big debts cloud prospects for its recovery

*Paring the gap will drain billions of pounds from the economy at a time when U.K. consumers are struggling*

By Alistair MacDonald
*Birmingham, England*

JOHN MURRAY'S electrical engineering firm here has made it through the recession thanks in part to work generated by local government contracts on projects like schools. Yet as the financial crisis winds down, Mr. Murray is "kept awake" by the idea that his prospects may get worse, not better.

The reason: Even as Britain recovers from recession, it faces one of the largest budget deficits in the world at more than 12.5% of gross domestic product. That's nearly twice the deficit level it faced during the last major economic crisis of the early 1990s. Paring it down will drain billions of pounds from the economy, as the government boosts taxes and squeezes spending at a time when British consumers face mountains of debt.

Mr. Murray's potential troubles came into focus at a meeting last year with local officials in Walsall, a town in England's West Midlands. Mr. Murray says he and others were warned: "Don't think that as this recession lifts there will be loads more money for authorities to spend. Money is not going to be there."

Such cutbacks are an indicator of how the country's recovery from the recession is likely to be more painful than many other places. Battered in the early stages of the financial crisis because of its heavy reliance on the finance industry and consumer spending, the government steadied the economy by priming it with billions of pounds.

This trend, coupled with falling tax revenue and a decade of high spending, is likely to lead to a deficit that this year tops £175 billion ($280 billion). That represents more than 12.5% of the country's gross domestic product and is well above the rate of 9.6% in the U.S. and 6.9% in the wider European Union.

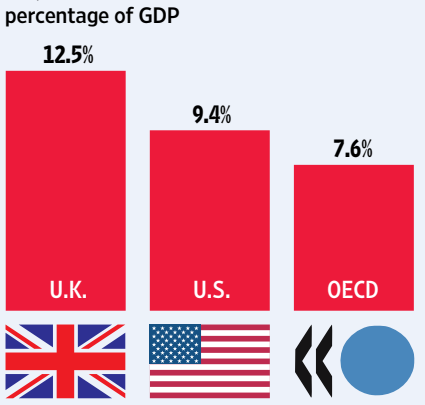
While countries such as the U.S., Japan, France and Germany returned to growth in the third quarter of last year, U.K. GDP fell 0.2%, making it the last of the Group of 20 developed nations to leave the recession. Economists expect Britain to grow by 0.9% this year, against 2.2% in the U.S. and a 0.7% average in EU.

Last week some positive new data—including purchasing managers' reports and early retail-sales numbers—indicated the U.K. is returning to growth. A spokesman for the U.K. treasury says some economists, including those at the International Monetary Fund, believe that U.K. growth will outperform other major economies in 2010.

Many economists fear that in the coming years the U.K. could still lag during periods of painful government and consumer

**Major hangovers**

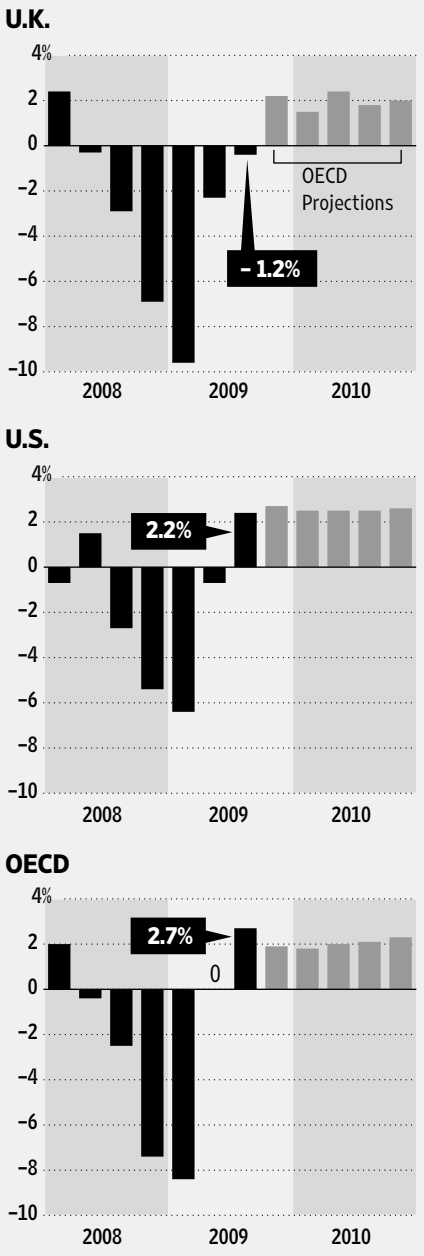
Projected 2011 national deficit as a percentage of GDP




Source: Organization for Economic Cooperation and Development

## Late to the party

**The U.K. is the last G20 country to leave the recession. Quarterly annualized change in GDP:**




Sources: OECD; Commerce Department; U.K. Office for National Statistics

belt-tightening. Taming the deficit will be a defining issue in the U.K. general election expected next May, and both major parties promise tough measures.

The Labour government last month announced a pre-budget report detailing further steps that it says will halve Britain's deficit by 2014, but put off the big cuts until growth has picked up steam.The opposition Conservative Party has promised an "age of austerity."

Whoever wins, it's going to hurt. Bank of America Merrill Lynch economists estimate that withdrawing economic stimulus measures will lead to a loss of around two percentage points of GDP in 2010. In each of the following five years, the U.K. will need to cut back public-sector spending or increase taxes equal to a further 0.5% of GDP if it is to put public finances on a firmer footing, it says.

The effects of cutting debt are now likely to ripple hard through areas such as Mr. Murray's West Midlands, part of which is known as "the Black Country" thanks to a history of heavy coal-based industries.

Unemployment here stood at 10.1% in October, exceeding the 7.9% U.K. average, and regional business surveys continue to trail the rest of the country. Though the credit crisis began in financial centers such as London, cyclical sectors like manufacturing—still a big employer in the West Midland—have been hit hard.

For the Labour and Conservative parties, this battered region has another significance. Of the roughly 135 seats it would take for the current Labour majority to turn into a Conservative majority at the next election, 30 are in the Midlands.

Ladywood, an inner-city district of Birmingham, hit a British recession milestone last January when it became the first area where unemployment reached 10%; it's now 16.7%. "We've been absolutely knocked for six here," said John Higgitt, who worked in a local factory and has lived in Ladywood all his life.

Ladywood has kept up appearances thanks to robust spending by the government and local council. Ladywood's blocks of 1960s public housing have little graffiti or litter and are interspersed with well-manicured public greens.

The upkeep reflects generous government spending since Prime Minister Gordon Brown's Labour Party came to power in 1997. Government spending as a proportion of GDP rose from 38.2% of GDP to 47.3% in 2008, according to the European Union's statistics agency. Some analysts say it could hit 50% in 2010. In the EU it averaged 46.8% last year and in the U.S. was 20.7%.

An initial round of public-sector penny-pinching has already begun, says Colin Hughes, local government councilor in Ladywood. In 2011, Birmingham City Council will receive 5% less from central government than last year. Council meetings no longer have biscuits; copies of the agenda aren't printed; a monthly council newspaper has been put on hold; and the council is looking at closing a municipal golf course.

"This is just the start of it, and for the next three or four years, expect to see cuts in big-ticket items like welfare and health," Mr. Hughes said.

A short drive from Birmingham, Walsall has benefited from a round of government-funded regeneration that has helped banish its old image as a relic of the industrial age.

Since March 2004, Peter Cromar's taxpayer-funded Walsall Regeneration Co. has been given £75.2 million of public funds to kick-start nine projects. They range from a new hospital to housing developments. The company also worked on a college that opened its doors recently.

In May, though, Mr. Cromar received a letter from Advantage West Midlands, a government "regional development agency" that put up the money for many local projects, saying that its budget had been cut by 18%. "This confirmed what I was increasingly realizing: that clearly money is tight and it is going to get tighter," he said.

In August, a new business park that Mr. Cromar's company was helping build was put on hold, just two months after work on it had begun. Another project—to build homes and hotels next to one of the area's barren canals, once the arteries of the Industrial Revolution that began in this part of Britain—was also postponed.

Walking beside the canal, unemployed factory mechanic Karl Willdig is even more pessimistic. Two days earlier, his wife received a letter informing her that she had lost her job cleaning at Walsall College because of budget cuts.

"This was a depressed area 15 years ago and government spending helped turn that round," he said. "Now it looks as if we are going full cycle as money gets taken out."

Another problem, here and throughout Britain: Despite the fact that the government has pumped £76.2 billion into bailouts of two leading banks, and underwritten £675 billion in corporate loans, bank lending hasn't rebounded. Late December, the British Bankers' Association reported that through the six months to October, lending to all nonfinancial companies contracted on average by £1.4 billion a month.

Like their government, British banks have their own debt-management issues to navigate. To achieve international regulatory capital standards, British banks still need to raise the equivalent of around 5.5% of U.K. GDP, by the end of 2010, according to the most recent calculations by the International Monetary Fund. For U.S. banks, that is around 1% of GDP; the euro zone's banks need to raise around 2.5% of output.

But the inability of British banks to increase lending is only part of the problem. In October 2006, growth in lending from foreign banks to Britain began outpacing domestic lenders—in some months doubling it. Those banks have all now retreated to domestic markets.

Last year in the city of Wolverhampton, Bhanu Dhir's management-consulting business wanted to hire sales staff for a new training product he developed. When his bank said no to the loan he needed, Mr. Dhir says, he had no choice but to let his remaining staff go and put his "dream" into "hibernation."

Farther west, among the rolling green fields of Shropshire, farmer Arthur Hill shows that credit is not just a concern in the West Midlands for its towns and cities. While once banks would lend to a farm at a rate of 1.25% to 1.75% above the base rate, they are now charging 3%-plus over, making it harder for farmers to invest and expand, he says.

For consumers, credit remains tight. The risk to the economy is that they save to cut their existing debts and don't spend. Personal-savings rates have moved from minus 0.5% in the first quarter of 2008 to plus 8.6% in the third quarter of 2009.

During the boom years, Jon Plant of Telford built up over £12,000 in credit-card and bank debt. In March, Mr. Plant lost his job as a construction-site foreman. He estimates his family's weekly spending has fallen to £1,100 a month from £2,000. Plans to buy a car and go on holiday are on hold indefinitely.

Recently, Mr. Plant made himself a promise: "When I get a job, the first thing I am going to do is clear that debt down to zero."

In the long run, greater savings rates are a good thing for the British economy—a fact that political parties are stressing as they lay out plans to reshape Britain's post-recession economy.

For both parties that means tilting the economy away from the consumer and financial-services sectors toward manufacturing and exports. Prime Minister Brown said on Thursday he wants to encourage sectors such as digital technology and low-carbon businesses, though he still insisted that Britain must remain a "world-leading financial center." Some finance executives have warned the government that through banker-bashing rhetoric and policies such as a bonus tax, they may have hurt a sector that at its height contributed over a quarter of U.K. corporate tax.

Yet Midland's manufacturers say politicians are dreaming if they think they can quickly revive manufacturing as a big contributor to the overall economy.

"You can't suddenly decide you love manufacturing, it takes years and years to build up," said Mike Dell, the managing director of Rubber Astic, a firm on the outskirts of Wolverhampton which makes foam and rubber components.

Mr. Dell does gives credit to the government for being proactive. But he also believes that some of its recent programs have been misplaced. In October, for example, he was offered £50,000 to pay for the costs of consultants.

What manufacturers really need, he says, "is practical help such as upgrading software and training people."

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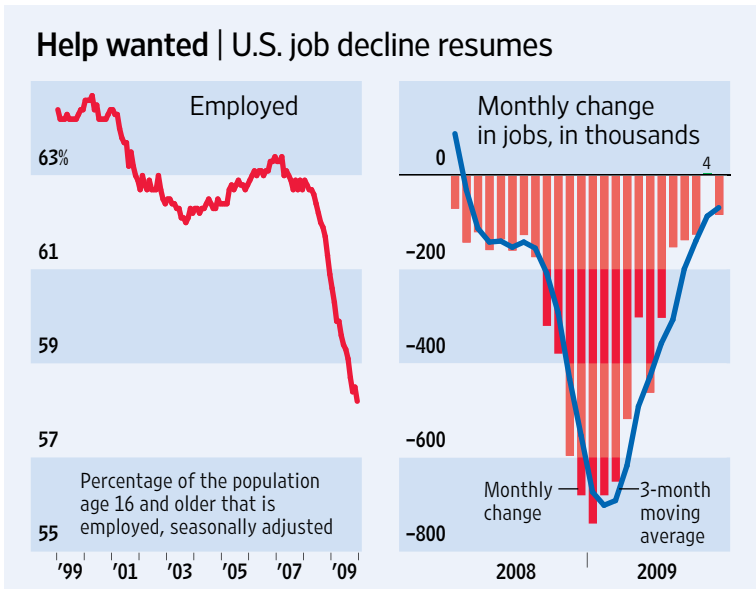
**Online today:** See a video about the recession's impact on Walsall in England's West Midlands at **WSJ.com/PageOne**

Cutbacks in places like Walsall, a town in England's West Midlands, are an indicator of how the country's recovery from the recession is likely to be more painful than many other places. Battered in the early stages of the financial crisis because of its heavy reliance on the finance industry and consumer spending, the government steadied the economy by priming it with billions of pounds.

THE U.S. ECONOMY




# Job cuts dash hope of sector's revival as workers give up

By Justin Lahart

Employers cut an additional 85,000 jobs last month, dashing hopes of a turnaround in employment, even as the U.S. economy grows.

With December's losses, there were 7.2 million fewer jobs than in December 2007, when the recession began. Although the unemployment rate was unchanged at 10% from November, that's only because many workers stopped looking for work and weren't counted in the numbers. A broader measure of unemployment, including those who have quit job hunting as well as those working part time because they can't find full-time work, remained about the same at 17.3% in December from 17.2% in November.

December's dismal job figures, reported by the Labor Department Friday, demonstrate that companies remain skittish about hiring even as their outlooks improve. Economic figures released so far suggest that gross domestic product—the broadest measure of the value of goods and services produced by the economy—grew at a 5.4% rate in the last three months of 2009, according to Macroeconomic Advisers, a St. Louis forecasting firm.

Even once jobs come back, the unemployment rate may continue to rise. To keep up with a growing population, the economy needs to add about 100,000 jobs a month just to keep the unemployment rate stable.

Moreover, many people have stopped looking for work in response to the poor jobs environment. As a result, they don't show up in the Labor Department's tally of the unemployed. In fact, a key reason why the unemployment rate didn't increase in December was that work force declined by 661,000. As a result, as the labor market improves, and people re-enter the work force and begin looking for work, the unemployment rate could rise.

Stocks edged higher Friday, with disappointment over the jobs report offset by expectations that the news would keep the Federal Reserve from raising rates. The Dow Jones Industrial Average rose 11.33 points to 10618.19.

The labor market isn't deteriorating nearly as quickly as in the first half of 2009, when it lost an average of 560,000 jobs a month. And most economists believe the economy will begin generating jobs within the next few months. Nevertheless, the economy has been growing since the middle of 2009, and the fact that job losses have continued for so long points to a tepid recovery in the labor market.

Revised figures showed that the economy added 4,000 jobs in November—the first month of job gains since the recession began—instead of the 11,000 job loss that was initially reported.

Prior to the 1990s, the job market tended to recover alongside the overall economy after recessions. But in the recoveries that began in 1992 and 2001, jobs were slow to return. That was partly because firms facing increased global competition became even more focused on keeping costs down. Improved technology allowed companies to produce more with fewer workers.

Rising profit margins and large productivity gains suggest that many companies are keeping tight control over labor costs—one reason Federal Reserve officials believe that this recovery, too, will produce spotty job growth in its early stages.

Manufacturers kept shedding jobs last month, though at a slower pace. Manufacturing payrolls fell by 27,000, compared with a drop of 35,000 a month earlier, the smallest loss in two years.

In the construction sector, hammered by the housing bust, the labor market worsened, with 53,000 jobs lost, compared with a November loss of 27,000. Nearly a third of the jobs lost were in the kinds of heavy-construction and engineering projects that much of the government's economic-stimulus efforts are directed at creating, said Michael Carey, an economist with Calyon Securities in New York. "It seems like it should be working the other way," he said.

*—Sarah E. Needleman, Jon Hilsenrath and Jennifer Levitz contributed to this article.*

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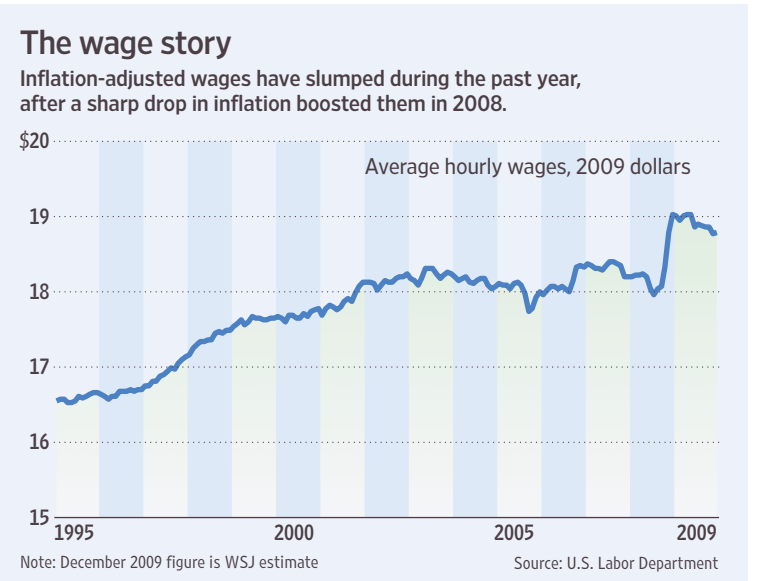



# Obama pressured to shift his focus

By Jonathan Weisman

President Barack Obama's bid to shift his focus to employment and the economy took on more political urgency Friday with news the U.S. shed an additional 85,000 jobs last month.

But a message blitz that was supposed to dominate the opening days of 2010 has instead been swamped by the issue that consumed Mr. Obama's predecessor: terrorism.

Mr. Obama went to the microphones for the seventh time in 12 days Friday, and for the first time in that stretch he didn't talk about the administration's response to the botched Christmas Day airline bomb plot. Instead, he talked about jobs.

The Labor Department's report on December job losses "was a reminder that the road to recovery is never straight, and that we have to continue to work every single day to get our economy moving again," Mr. Obama said. "For most Americans and for me, that means jobs."

Mr. Obama said 17,000 jobs would come from $2.3 billion in tax credits in last year's stimulus legislation to promote manufacturing of renewable-energy technology.

Of Mr. Obama's expected pivot to jobs, Sen. Sherrod Brown (D., Ohio) said: "When man plans, God laughs." The president has had to deal with "the health-care bill, he now has this terrorism issue," Sen. Brown said.

Republicans jumped on the new jobs numbers to challenge the president's prescriptions for economic recovery. The National Republican Congressional Committee blitzed media outlets in districts of vulnerable House Democrats with this line: "Where are the jobs?"

"It's time for President Obama to heed the recent words of Democrat Senator Ben Nelson and finally do what he should have been doing over the past year—put his full and undivided attention on fixing our economy," said Republican National Committee Chairman Michael Steele.

White House Chief of Staff Rahm Emanuel said the president wasn't getting enough credit for the stabilization of the financial system and the righting of the U.S. auto industry. He said the president's private daily economic briefing Friday was devoted to the labor market.

"The Dec 25. bomber had to be dealt with, and the president had to take responsibility," Mr. Emanuel said. "If he didn't address it like a laser, if he talked about jobs then, people would have said he wasn't dealing with the problem at hand. You have to deal with all of it."

White House economists conceded Friday that the hole Mr. Obama is trying to fill is deep. Seven million jobs have been lost since the Great Recession began in 2007. December saw losses of an additional 53,000 construction jobs and 27,000 manufacturing jobs. The number of workers unemployed for 27 weeks or more reached a record 6.1 million, or four out of every 10 unemployed workers.

Some 661,000 Americans dropped out of the labor market last month, in many cases because they did not believe there were any jobs and they stopped looking.

"For every job the recovery act helped create, there's another American at work," White House economist Jared Bernstein said. "You've got to fill this hole up the best way you can, one job at a time."

For Democrats in a midterm-election year, the latest jobs report is more bad news. Democratic lawmakers have been clamoring for the White House to embark on a more sustained, job-creation campaign. So far, the administration has announced only one event.

The House narrowly passed a $174 billion job-creation bill last month amid dueling concerns over the labor market and swelling federal budget deficit.

"We've got to convince the American public and our members that we need to do both: short-term investment in creating jobs, getting our economy moving; long-terms plans to bring our fiscal house in order," Majority Leader Steny Hoyer (D, Md.) said on CNBC Friday.

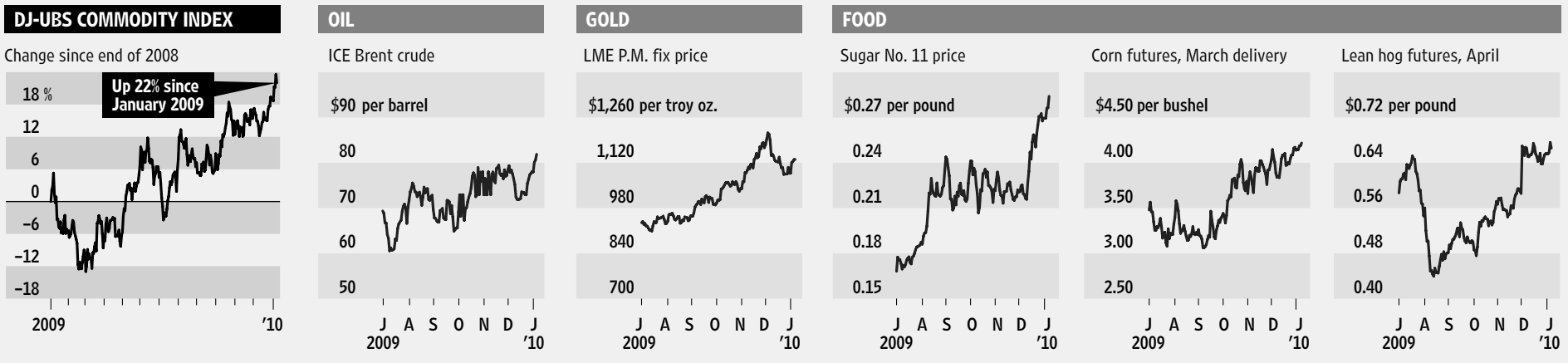
Sen. Brown urged the president to refocus his jobs efforts on the "infrastructure deficit"—crumbling roads, bridges, sewers and water systems. People find spending to address such problems more acceptable, he said, because infrastructure is an issue voters can grasp.

House Transportation and Infrastructure Committee Chairman James Oberstar (D, Minn.) said he has been encouraging White House aides to get the president behind a new version of the jobs bill that shifts money from aid to states and other programs to more infrastructure spending in a bid for bipartisan support.

"If the president put his support behind a streamlined and highly focused bill, it could pass the Senate," Mr. Oberstar said.

FROM PAGE ONE

**Shopping cart** | Global commodity-price index and prices of select commodities




Sources: WSJ Market Data Group; Thomson Reuters Datastream

# Commodity-cost rise threatens rebound

*Continued from first page*

easy-money policies, aimed at rescuing the economy, will fuel inflation. "Inflation expectations are creeping up," said Spyros Andreopoulos, global economist at Morgan Stanley in London.

Both actual price rises and fears of future inflation threaten to put central bankers around the world in a tough spot. On one hand, many want to keep interest rates low longer to support the recovery. But the need to keep prices in check could force them to hit the brakes sooner.

Food prices are a big concern in developing countries such as China and India, where food makes up a larger portion of consumer purchases. On Thursday, China's central bank raised a key interest rate in a shift toward a policy of managing inflation. Economists say the Reserve Bank of India could raise interest rates as early as this month.

In the U.S., with unemployment at 10% and companies operating below capacity, economists doubt the commodity boom could spark a traditional inflationary spiral, in which rising prices and wages reinforce one another. And while officials at the Federal Reserve have expressed concern about rising prices, for the most part they believe high unemployment will be a counterweight.

Still, as higher commodity prices work their way through the production chain, they could damp any recovery by forcing consumers to spend more on essentials such as food and gasoline. They are also a concern for a range of industries, such as airlines and food processors, where rising input prices could eat into profit.

"Everybody is nervous," said Ronald Lucchesi, president of the frozen-products division of Gonnella Baking Co., a closely held Chicago firm that was battered by soaring wheat costs in 2008.

Greg Carlson, a hog farmer with 400 sows near Stratford, Iowa, said he was losing money on every pig he produces as meat prices fail to keep pace with the cost of feed. "There are a lot of companies that are right on the edge—and we're one of them," he said.

Economists say the U.S. livestock industry faces a brutal shakeout if it isn't able to pass along its higher feeding costs. "The consumer has to get used to paying higher prices," said Robert "Bo" Manly, executive vice president and chief financial officer of meat giant **Smithfield Foods** Inc.

The surge in commodity prices is having an impact around the world, particularly in the developing nations that account for an increasing share of global growth. India is perhaps the most exposed, due to its poor rainy season and resultant subpar rice crop. Rapid rises in the cost of rice, tea, sugar and milk have pushed food prices up 17% in the year ended November, contributing to overall consumer-price inflation of about 5%.

Another commodity that has shot up this year is cassava. In China, the tuberous root—also known as tapioca—is used in the growing production of industrial alcohols and ethanol. Cassava is also used to feed ducks and pigs and make tapioca balls for bubble teas. A bug infestation has damped the harvest in Thailand, a key producer. Cassava prices are up about 59% over the past year, according to the U.N.

*—Lauren Etter contributed to this article.*

# JAL nears bankruptcy filing

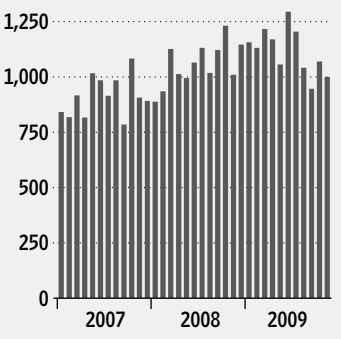
*Continued from first page*

ployees, the move to file for court-led rehabilitation process would be unprecedented in Japan. Companies are rarely forced into bankruptcy proceedings as banks are often persuaded to waive debt. Moreover, the stigma associated with the process is believed to have a negative impact on consumer sentiment. The last major bankruptcy in Japan was the collapse of Mycal Corp. in 2001, a retailer that had total debt of 2.1 trillion yen, or about $23 billion at today's exchange rates. A JAL spokeswoman declined to comment on whether the airline would file for bankruptcy protection. On Sunday, a spokeswoman stressed that even if the carrier does file, its operations would continue as normal.

Takehiko Itoh, a lawyer at Freshfields Bruckhaus Deringer LLP in Tokyo, said that establishing a framework for JAL's rehabilitation under a court-led process would take about a year.

**Out of pocket**

**Bankruptcy cases in Japan**




Note: Shows bankrupt companies with liabilities of 10 million yen or more
Source: Teikoku Databank

JAL's main banks and the Transport Ministry—a powerful Japanese bureaucracy that has had de facto control over much of JAL's decision making over the years—had opposed a court-led process, believing it would harm consumer sentiment. This opposition has thawed in recent days, however, as cabinet members scrambled to come up with a solution for the cash-strapped airline, which is quickly running out of funds.

"The government needs to provide backup by giving official cabinet approval in order for the Enterprise Turnaround Initiative Corp. of Japan to support JAL's rehabilitation," Seiji Maehara, Japan's transport minister and a crucial figure in JAL's restructuring, said Friday night after meeting with Prime Minister Hatoyama.

Japan's newly appointed finance minister, Naoto Kan, earlier in the week also declined to rule out bankruptcy as an option for JAL.

JAL's main bank creditors, including Mizuho Corporate Bank, Bank of Tokyo-Mitsubishi UFJ and Sumitomo Mitsui Banking Corp., had been the most vocal opponents to a court-led rehabilitation plan as they feared it would wipe out most of their loans outstanding to JAL. But they now believe that such a plan is inevitable, people familiar with the situation said.

Under the proposal drafted by the ETIC, loan waivers by the banks, including a debt-for-equity swap, would total more than 300 billion yen. Mizuho Corporate Bank, which is part of **Mizuho Financial Group** Inc., and Bank of Tokyo-Mitsubishi UFJ, part of **Mitsubishi UFJ Financial Group** Inc., each have about 50 billion yen in loans outstanding to JAL. Sumitomo Mitsui, a unit of **Sumitomo Mitsui Financial Group** Inc., has about 30 billion yen in loans outstanding.

*—Atsuko Fukase and Yoshio Takahashi contributedto this article.*

Reuters

A bankruptcy filing would mark one of Japan's biggest insolvencies ever. Employees of JAL work at Haneda airport in Tokyo on Sunday.

Kyodo via Associated Press

Douglas Peterson, left, is heading back to New York after overseeing the sale of some of Citigroup's Japanese assets. Darren Buckley will succeed him.

# Citi replaces Japan chief

*Continued from first page*

to operate as a local entity. Mr. Peterson orchestrated the buyout of Japan's third-largest broker, Nikko Cordial Corp., and expanded Citigroup's retail-banking network.

But when the financial crisis struck, Mr. Peterson had to switch gears and shrink the firm rapidly to help the group pay back the government for its $45 billion of bailout funds. Citigroup last month repaid $20 billion of those funds, but the U.S. government remains the company's largest shareholder with a roughly 27% stake.

The financial giant raised about $11 billion from asset sales in Japan last year. Citigroup sold Nikko Cordial Securities Inc. and part of its investment-banking business to Sumitomo Mitsui Financial Group. It also sold its stake in Japan's third-largest fund manager by assets, Nikko Asset Management, to Sumitomo Trust & Banking Co. and its Japanese trust banking unit, NikkoCiti Trust & Banking to Nomura Holdings Inc.

Mr. Buckley joined Citigroup in London in 1992 and arrived in Japan in 2004. He was named head of Citibank Japan in 2008. In June last year, Mr. Buckley apologized publicly for flaws in the unit's procedures for preventing money laundering.

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# Return to 'plus side' for profits

*Year-to-year quarterly increase for S&P 500 firms would be first since mid '07; financials are the 'wild card'*

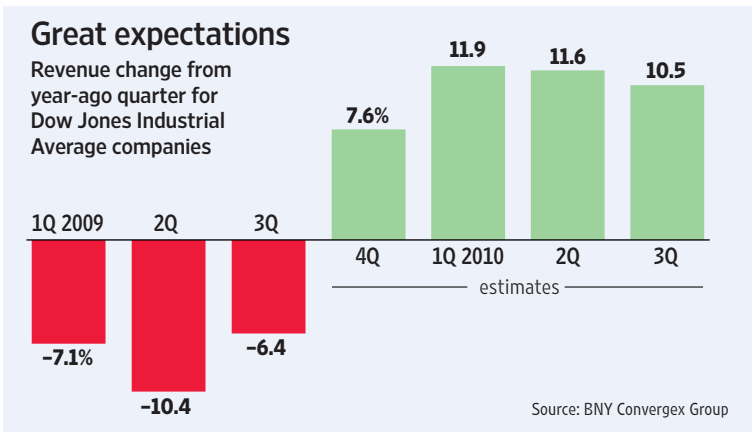
By Tom Lauricella

Since last spring, the U.S. stock market has rallied with each earnings season as companies posted results that were far better than expected. As fourth-quarter reports begin to roll in this week, many strategists expect the good news to keep coming.

**ABREAST OF THE MARKET**

"It's going to be on the plus side again," predicts James Swanson, chief investment strategist at MFS Investment Management.

At long last, the fourth quarter is likely to mark the end of the earnings recession. Operating earnings for companies in the Standard & Poor's 500-stock index are expected to nearly triple on a year-to-year basis, according to Thomson Reuters. That would mark the first time since the second quarter of 2007 that earnings were higher than the same quarter a year earlier.




It is the longest stretch of declines since S&P began keeping track of operating earnings in 1991.

In large part, that outsize gain reflects the fact that results in the fourth quarter of 2008 were crushed by an economy then in free fall. Consumer discretionary, materials and financial companies are expected to show the biggest bounce.

But the profit recovery will also likely reflect the potent combination of aggressive cost cutting and an economy that, while far from healthy, is growing. Multinationals such as industrials, consumer-goods producers and technology companies will likely see a boost from last year's decline in the dollar, which inflates the value of foreign profits.

And, as has been the case recently, especially strong results are expected from firms with big exposure to faster-growing emerging-markets economies, particularly among technology names and materials producers.

If there is a question mark, it is the battered financial sector. Investors are still waiting to see if there is any light at the end of the tunnel for write-offs and reserves against bad loans. That is especially true for struggling regional banks. In addition, a bigger-than-usual drop-off in stock and bond trading volume at the end of 2009 has prompted some analysts to trim earnings forecasts for Wall Street banks.

But expectations are generally positive. While households and governments struggle, "it's really good to be a corporation right now," says Aaron Gurwitz, head of global investment strategy at Barclays Wealth.

As with last quarter, considerable focus will be on the degree to which profit gains are the result of growing revenues and not just cost cutting. Here, too, many strategists expect to see good news. Revenue among S&P 500 companies rose 2.5% from the second quarter to the third, "and there's every indication we're going to see a bigger number

*Please turn to page 24*

# *Coddling small investors before Rusal's stock sale*

**[ The View From Hong Kong ]**

By Peter Stein

A share offering under way in Hong Kong might be dubbed the rich man's IPO.

UC **Rusal**, the Russian aluminum producer, plans to raise as much as $2.59 billion by issuing shares in Hong Kong, but none of it will come from local individual investors, securities regulators have ruled. In cutting out a public subscription side to the deal, they have stirred up debate on a broader question: When should small investors be prevented from taking the same risks as deep-pocketed ones?

Concerns have focused on the notion that regulators cut a compromise to keep an important deal in Hong Kong, the first from Russia, that otherwise mightn't have passed muster. They made it tough for anyone other than professionals and the rich to partake in the action, something never done before with a new share offering in Hong Kong.

A concern of broader import is that regulators may be unnecessarily mollycoddling people capable of making their own choices. Hong Kong's Securities and Futures Commission wants to protect small investors. By doing so, it prevents them from enjoying the same opportunity to profit as fund managers and wealthy investors.

Bloomberg News

Concerns about Rusal's controlling shareholder, Oleg Deripaska, have weighed on the company's IPO.

Globally, distinctions routinely are made between investments fit for pros and those that aren't. And a restricted listing such as Rusal's is hardly unprecedented elsewhere. Quite a few Russian companies that have listed in London raised funds in a similar manner. The difference in Rusal's case is that the company and its

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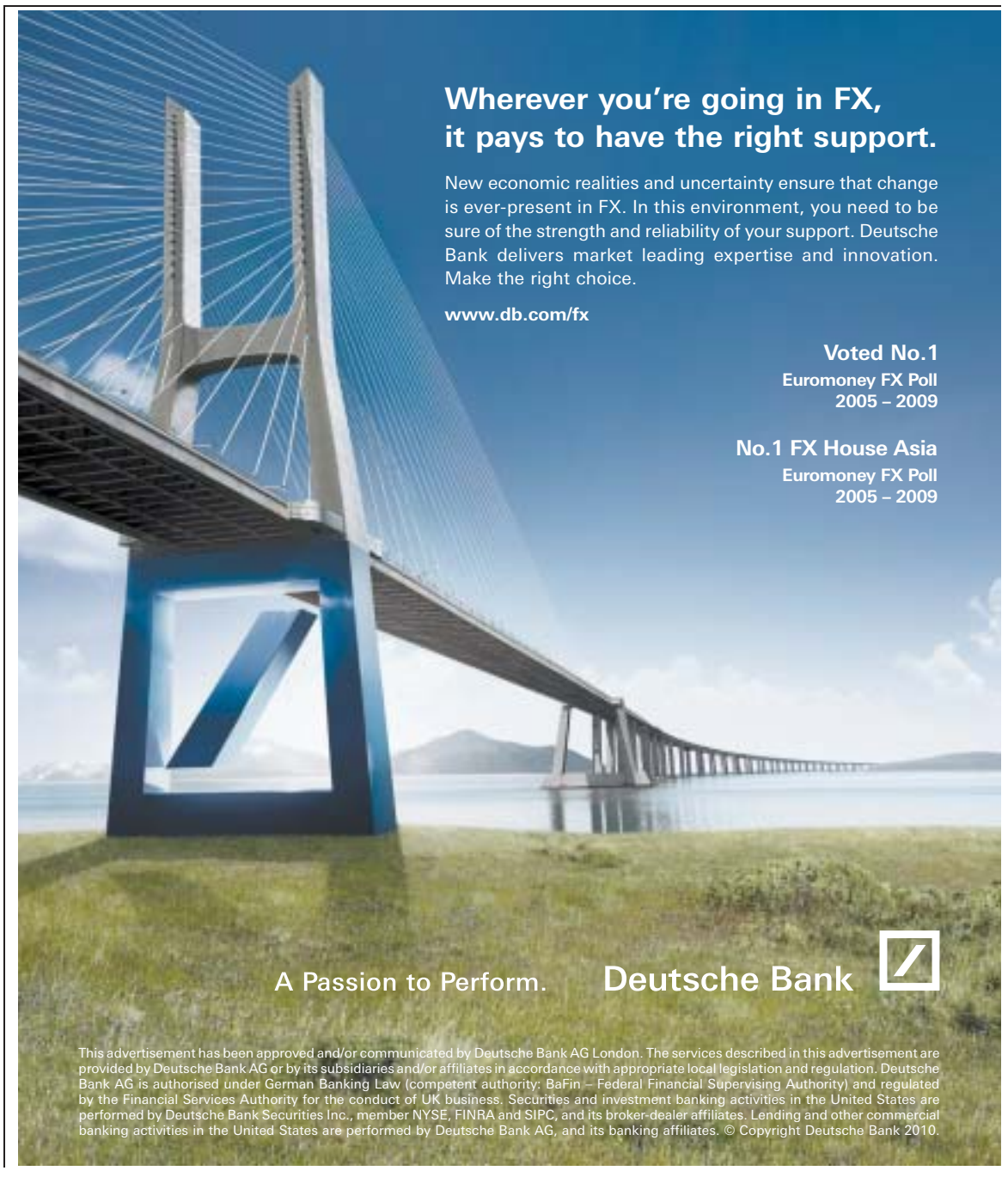
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New economic realities and uncertainty ensure that change is ever-present in FX. In this environment, you need to be sure of the strength and reliability of your support. Deutsche Bank delivers market leading expertise and innovation. Make the right choice.
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BUSINESS & FINANCE

# China to reshape global steel market

*Continued rising demand for infrastructure projects to push prices higher, even as production gains steam*

By Robert Guy Matthews

China's surging demand for steel this year is expected to dominate the landscape of the steel industry as never before.

Already the world's largest producer by far, the country is expected to rev up production by nearly 10%. But the higher output likely won't exceed demand, pushing prices higher world-wide for steel, its raw materials and even coal.

Steelmakers, which idled dozens of mills and cut production as the global economy slowed, are now ramping up. **Rio Tinto**, which sells the most iron ore to China, is restarting production. Iron ore is a key ingredient in making steel. **ArcelorMittal**, the world's largest steel producer, is raising prices, as is China's largest steelmaker **Baosteel Group** Corp. China also is trying to unify a fragmented and sprawling domestic industry to present a strong, unified voice in price negotiations for sales and purchases of raw materials. The idea: Capitalize better on the country's huge appetite for the materials that make everything from refrigerators to bridges.

China is expected to produce a record 600 million metric tons this year—about half the world's total output. The next biggest producer, Japan, will make just one-sixth of what China is expected to produce. The U.S. was fourth in production, behind Russia, last year.

China's continued resilience was the dim light in an otherwise dreary year for miners and steelmakers, marked by layoffs, mine closings and production and investment pullbacks as prices for commodities tumbled. And it looks to be the beacon going forward, along with India, to a lesser extent.

Reuters

China's needs have kept its steel exports down. Laborers, above, transported steel pipes in Taiyuan, China, on Dec. 31.

While other economies are strengthening, they don't offer the same potential for growth as China, which makes penetrating that market critical. "Chinese steel production and demand is likely to continue its inexorable rise," says Peter M. Fish, economist for MEPS International, a steel consulting firm.

That, in turn, is good news for all metals and minerals sellers.

Iron-ore spot prices, at about $110 a metric ton, have been climbing toward their highest level in more than a year. Coal prices for steel mills and electricity production have surged by more than 30% as the Chinese last year curbed production due to environmental concerns. Copper, aluminum and zinc prices also have risen.

"The recovery of all commodities has exceeded expectations," says David Butler, analyst at J.P. Morgan Cazenove.

Australian ports are becoming congested again, with coal ships in line on the ocean, waiting to load and unload.

Robin Walker, a spokesman for Rio Tinto, the largest seller of iron ore to China and which sells a substantial amount of coal, says its economists are revising projections from August regarding Chinese demand. "The new update could show that growth is stronger," he says.

**BHP Billiton**, the world's largest miner, Rio Tinto, Australia's **Fortescue Metals Group** Ltd. and Brazil's **Vale** all are increasing production of iron ore, and in some cases coal, to meet the expected increased demand in China.

China's Baosteel, an industry bellwether, told buyers last week that it would increase steel-sheet prices by 5% beginning in February, marking the third steel price increase in as many months.

"With January hikes now sticking well, we expect to see further price increases announced in China as well as Europe and the US," says Michelle Applebaum, an analyst at steel research firm MARI in Chicago. "Chinese steel demand is profound, and rising raw-material costs are driving an inflationary spiral in the region as steelmakers and their customers clamor for material."

Massive government stimulus and infrastructure plans—including for rails, roads and bridges in eastern China and for general construction and factory building in the western part of the country)—are fueling demand. Most of the steel production will be consumed internally, says the China Iron and Steel Association, the main steel trade group in the country.

China's exports have dropped between 10% and 50%, depending on the product and country in the last year, which is welcome news for ArcelorMittal Chief Executive Lakshmi Mittal. Mr. Mittal says that last fall, China's steelmakers remained fairly disciplined about keeping their steel from flooding foreign markets, which has helped steelmakers around the world raise prices.

The downside for ArcelorMittal and other steelmakers is that raw-material prices will likely rise as the companies compete with Chinese steel mills to secure the coal and iron ore needed to fuel and feed steel plants.

This week, Australia and China signed a $3 billion coal deal, the largest buyout by a Chinese firm in Australian mining history. The purchase of Australia's **Felix Resources** Ltd. by **Yanzhou Coal Mining** Co. could open the door to more acquisitions this year.

# Jindal Steel says it continues to bid for Rocklands

By Sahil Mahtani
And Prasenjit Bhattacharya

NEW DELHI—India's **Jindal Steel and Power** Ltd. is still interested in acquiring **Rocklands Richfield** Ltd. in a $180.8 million deal, despite having reduced its stake in the Australian coal company over the past few weeks, a senior company executive said Friday.

"We are serious about the bid for Rocklands Richfield," Director Sushil Maroo said, adding that the share sales in the recent weeks were intended to keep Jindal Steel and Power's stake below 15% because of Australian regulations.

In Australia, Rocklands Richfield's shares rose 11% to 42 Australian cents, or about 38 U.S. cents.

Jindal brought down its stake in Rocklands Richfield to 13.6% from 16.4% during November and early December. Foreign companies need to apply to the Foreign Investment Review Board to raise their stakes above 15% in Australian companies.

While Mr. Maroo didn't elaborate any further about the recent share sales, another company executive said that Jindal had no obligation to inform Rocklands Richfield of any equity transaction in the company that the Indian steel company conducts in the market.

Last week, Jindal Steel and Power matched an offer of 56 Australian cents a share, which was made by China's **Meijin Energy Group**, for the Australian coking coal company. The 56 cents a share offer values Rocklands Richfield at 197 million Australian dollars.

The executive also said that Jindal is in the process of conducting due diligence on Rocklands Richfield.

"Initially [in September], we had bid for the company at 42 cents a share, and the current bid we submitted a few days back was at 56 cents a share. So there's more due diligence that needs to be done as this bid values the company higher," the executive added.

Coking coal is a critical asset for Indian steel companies as it is not mined locally. Rocklands Richfield estimates that it has about 900 million tons of coal reserves in Queensland state. It also operates a coking-coal plant in eastern China.

*—Elisabeth Behrmann in Sydney contributed to the article.*

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BMW

BMW will display its Active E all-electric concept car at the Detroit auto show, which opens Monday. Other makers will promote hybrids.

# Electrics and hybrids to star

*Pricier 'green' models take center stage at car show, but it's not clear consumers are in sync*

By Kate Linebaugh

DETROIT—Electric vehicles, hybrids and small cars are slated to take center stage at the big Detroit auto show that opens Monday as car makers try to forget the bleak year gone by and look to the future.

**Fiat** SpA, **Volkswagen** AG's Audi, **BMW** AG and Chinese auto maker BYD Auto Co. all plan to show new electric vehicles in various stages of development. **Nissan Motor** Co. will display its small Leaf electric car that is slated for production later this year. **Toyota Motor** Corp., **Honda Motor** Co. and Volkswagen will show new gas-electric hybrids, while **General Motors** Co. and **Ford Motor** Co. plan to promote new gasoline-powered subcompacts and compacts.

But the rough year the industry just endured, which saw GM and **Chrysler Group** LLC go through bankruptcy and U.S. car sales fall to historic lows, won't be far from mind.

The space at the show that historically was used by GM's discarded brands Hummer, Saturn, Pontiac and Saab will hold "Electric Avenue," a showcase for electric vehicles. And for the first year in memory Chrysler won't unveil a new vehicle at the Detroit show. Instead it will display a Maserati and a Ferrari among its Dodges, Jeeps and Chryslers, a reflection of its new management under Italian auto maker Fiat.

It is far from clear that the gas-efficient or gas-free cars the auto makers are promoting will lure consumers away from their large rides. The electric and hybrid models cost much more than similar gas-powered versions, and many consumers have moved back to larger vehicles after flocking to small cars during the brief period when gas hovered around $4 a gallon in 2008.

Last year, hybrid vehicles, which have been sold in the U.S. for 10 years, accounted for just 2.7% of all vehicles sold in this country, according to Autodata Corp. Sales of small cars fell last year from 2008, while sport-utility vehicles gained just under four percentage points of market share, according to Autodata.

"We are really seeing more and more vehicles available in smaller sizes," said Rebecca Lindland, an analyst at IHS Global Insight. The risk for car makers is that they aren't seeing "significant changes in consumer demand for those vehicles."

A report released Thursday by **Boston Consulting Group** cast doubt on the mass appeal of electric vehicles unless there is a major breakthrough in battery technology, which still costs too much to make such vehicles widely affordable.

The consulting firm estimates that fully electric vehicles will make up just 2.8% of the global market in 2020, while hybrids and range-extended vehicles—which use a small gasoline engine to recharge the batteries—will account for 23%.

Even so, car makers are charging ahead with electric-vehicle plans. GM on Thursday started production of the lithium-ion battery pack for its range-extended Chevrolet Volt, and the company's board is weighing an earlier launch of the long-awaited vehicle, said people familiar with the discussions.

The Volt initially was expected to come out late this fall, but the first cars could be on the road by late summer or early fall, these people said. An earlier launch would involve few vehicles and would likely be on a lease basis or involve a corporate fleet.

GM is seeking to beat to market the Leaf from rival Nissan, which is slated to go on sale in December, according to people familiar with the discussions.

The company may also be able to sell the Volt at less than the expected $40,000 price tag, Jon Lauckner, GM's head of global program management, said Thursday.

Others that are joining the electric-vehicle movement recognize their mass-market potential may be limited. "It is popular at the moment to think battery-powered cars hold the solution. We have a long way to go before it is a reality," said Johan de Nysschen, head of Audi's North American operations.

Mr. de Nysschen expects the electric-vehicle market to be bifurcated. At one extreme will be compact, light commuter vehicles with short driving ranges. At the other end will be high performance cars that command a high price to help recoup their investment costs.

Audi's first electric vehicle will fall in the latter category, according to a person familiar with the plans.

BMW, which put out a limited fleet of two-seat electric Mini Coopers last year, plans to display at the show a four-seat BMW electric concept car based on its 1-Series that will be leased to fleet customers next year. Rich Steinberg, BMW North America's manager of electric vehicle operations and strategy, said consumer anxiety over the limited range of all-electric vehicles continues to be a stumbling block.

Amid all the buzz ahead of the Detroit show, car makers continue to question whether auto shows are effective marketing tools.

"I asked a question: do we sell any cars though the auto show?" General Motors Chairman Edward E. Whitacre Jr. told reporters this week. "Nobody had an answer to that. But I guess we do through the cars and the media. It's certainly important from a perspective of who is the new GM."

*—Sharon Terlep and Jeff Bennett contributed to this article.*

# Reliance raises its offer for LyondellBasell

By Mike Spector And Jeffrey McCracken

India's **Reliance Industries** Ltd. recently sweetened its offer for a controlling stake in LyondellBasell Industries when the chemical maker exits bankruptcy, people familiar with the matter said Thursday. But Lyondell appeared unlikely to accept the new terms and instead plans to stick with a deal to hand the company to senior lenders.

Reliance's latest offer pushes its valuation of Lyondell to about $13.5 billion, up from a $12 billion initial offer disclosed in November, these people said. Under terms of the proposal made before Christmas, Reliance would buy $2.25 billion in new stock and support a separate $2.8 billion stock sale to take Lyondell out of bankruptcy. Reliance is seeking to control Lyondell even if it holds a minority stake in the company, the people said, a move creditors are resisting.

A deal between Reliance and Lyondell, the world's third largest chemicals maker, would create a global energy and chemicals behemoth that would have nearly $80 billion in annual revenue.

Lyondell's board had rejected Reliance's latest offer, said people familiar with the matter. A person close to Reliance said a formal rejection hadn't yet been received but acknowledged Lyondell was unlikely to agree to the new proposal.

A sticking point is Reliance's valuation of the company. Lyondell's current restructuring plan values it as high as $15.5 billion.

A Reliance spokesman declined to comment. A Lyondell spokesman said the company remains focused on its current reorganization plan but isn't precluded from "considering other bona fide proposals."

Reliance, led by Mukesh Ambani, India's richest man, has been attempting to beat back a reorganization plan that would hand Lyondell to senior lenders in exchange for $18 billion in debt. Investors—including Apollo Management, Ares Management and Lyondell's owner, Access Industries—plan to backstop a $2.8 billion stock sale to take the company out of Chapter 11 by buying up shares that others choose not to purchase.

Reliance's latest proposal includes its own backstop to the $2.8 billion stock sale.

But Apollo, Ares and Access would still likely subscribe to the rights offering even if Reliance agreed to backstop it, people familiar with the matter said.

Under that scenario, Reliance would still buy some $2.25 billion of stock at a valuation of about $13.5 billion, giving it a minority stake in the company, these people said.

# Hutchison seeks to privatize telecom unit

By Lorraine Luk and Joyce Li

HONG KONG—Billionaire Li Ka-shing's **Hutchison Whampoa** offered to take its **Hutchison Telecommunications** Ltd. unit private in a 4.23-billion-Hong Kong-dollar (US$545 million) cash deal that will give major shareholders more control over how to restructure the unprofitable telecom assets.

Hutchison Telecom's shares surged as much as 30% upon resuming trade Friday after its parent offered HK$2.20 a share, representing a premium of 33.3% to Hutchison Telecom's pre-suspension price of HK$1.65 midday Monday.

The move was expected, as the telecom company has, in recent years, disposed of crown jewel mobile-phone assets in India and Israel, and also spun off its profitable Hong Kong and Macau business, Hutchison Telecommunications (Hong Kong) Ltd. Hutchison Telecom has been left with unprofitable operations in Thailand, Sri Lanka, Indonesia, and Vietnam. Hutchison Whampoa owns 60.4% of the unit.

In a joint statement, the companies said Hutchison Telecom's high capital-expenditure requirements, lack of surplus cash for dividends, and short- and medium-term volatility make the firm "less suited to remain a publicly listed entity."

They said the proposed price won't be increased.

The companies said the proposed price won't be increased.

If the privatization doesn't work out, Hutchison Telecom will retain its cash of about HK$4.2 billion and continue to fund its existing businesses. As a result, no surplus cash will be available for dividends, the companies said in their statement.

Analysts said the offer price is reasonable.

HSBC analyst Walden Shing said the buyout offer is a "good deal" for minority shareholders because Hutchison Telecom's remaining operations are still unprofitable.

"Given that no special dividend will be paid if the privatization is not successful, we believe investors should accept the offer," said Mr. Shing.

In a research note Friday, Deutsche Bank said it's difficult to see where Hutchison Whampoa sees incremental value in Hutchison Telecom's loss-making Indonesia and Vietnam operations.

"And while the assets may be subsequently disposed, the HK$2.20 offer appears to compensate shareholders for this possibility," it said.

Hutchison Whampoa's offer comes after Mr. Li's son, Richard Li, failed to privatize PCCW Ltd., Hong Kong's dominant fixed-line company, last year for US$2.1 billion after an appellate court blocked the deal citing a shareholder vote had been manipulated when a PCCW investor handed out shares to hundreds of local insurance agents who then backed the buyout.

Hutchison Telecom said it will seek the approval from its minority shareholders at a meeting later.

BUSINESS & FINANCE

# UPS raises its profit expectation

*Shipper plans to eliminate 1,800 jobs, but sees a gradual economic recovery following a boost during holidays*

By Jennifer Levitz and Corey Dade

**United Parcel Service** Inc. boosted its fourth-quarter profit projections by more than 15%, signaling the economy is improving, but the package-delivery giant also announced 1,800 job cuts and said it still expects the recovery to be gradual.

UPS, the world's largest package handler by volume, said Friday that cost savings and better-than-expected results in its domestic and international small-package shipping businesses contributed to the improved projections. The Atlanta-based company now expects earnings per share of between 73 cents and 75 cents for the fourth quarter of 2009, up from its October forecast of 58 to 65 cents a share.

The holiday season delivered a boost, driving up the volume of air shipments in November as consumers began to spend more, leading retailers to quickly restock depleted inventories with everything from sneakers to MP3 players to video-game systems.

UPS is regarded as a barometer of the economy because it ships an average of 15 million packages a day. The company estimates the value of its parcels at any given time represents about 6% of the U.S. gross domestic product. Because of their roles in enabling commerce, firms like UPS and FedEx Corp. are among the first to experience the effects of a downturn or turnaround.

While cautious, the UPS announcement offers a sign that the company is feeling more secure than at the start of 2009, said Kevin Sterling, a freight-transportation analyst with BB&T Capital Markets in Richmond, Va. "They have more visibility into 2010 than when 2009 began. A year ago, they wouldn't have been able to issue a statement like that," he said.

Demand for goods shipped by air was about 20% higher in November than at its low point in December 2008, Mr. Sterling said. "A lot of the retailers had let their inventories get really low, and they suddenly realized, 'Oh, my gosh, we're going to have a Christmas,' " Mr. Sterling said. "But in order to get the goods here in time from Asia, they had to use air freight."

FedEx Chairman and Chief Executive Frederick W. Smith last month said the U.S. economy had reached a "turning point" as the company reported a bump in holiday shipping.

But FedEx also issued a tepid outlook for its fiscal third quarter, which started Dec. 1.

UPS reports fourth-quarter earnings Feb. 2. The company declined on Friday to discuss shipments over the holidays, its peak season, or provide a breakdown of how much of its improved earnings prediction is from growth versus cost cuts.

In 4 p.m. composite trading Friday on the New York Stock Exchange, UPS shares were up $2.76, or 4.8%, to $60.17.

The job cuts will be made by April and will come from the company's management and administrative ranks as part of a restructuring of U.S. operations that will reduce the company's number of regions to three from five, UPS said. As a result, UPS said it will incur a one-time charge in 2010 that will be offset by savings in its U.S. business.

Reuters

UPS said its U.S. and international small-package shipping businesses contributed to its increased profit projection.

Last year, UPS cut 13,000 jobs in response to a shipping slump, but UPS spokesman Norman Black said the latest reductions were long-planned and aren't related to the recession. UPS has 340,000 employees in the U.S.

"We've come to realize that with technology and management systems, we can manage larger geographic areas than ever before," Mr. Black said. Of the 1,800 positions, 1,100 employees will be offered early-retirement packages, while some other jobs will be cut through attrition. The company has no plans to close operating facilities or reduce its number of drivers.

The reductions mark another break from tradition at the 102-year-old company, where managers held virtual tenure until retirement. But since its initial public offering in 1999, which raised $5.47 billion as the biggest in U.S. history at the time, UPS's stock has lagged behind expectations amid high labor costs, record fuel prices and diminishing industry growth of the U.S. package-delivery business.

Nate Brochman, an analyst with William Blair & Company LLC in Chicago, called the move to put fewer managers in charge of bigger areas an "evolutionary change" for a company where management jobs have long been regarded as safe, career-long positions. "Time will tell if it's a true culture change," he said.

"In the downturn, UPS has been forced to make tough decisions, but it's also given them the opportunity to look at their business in a different way," he said.

# U.K. to expand its offshore wind energy

By Selina Williams and Guy Chazan

Britain staked out a leading role in offshore wind energy Friday, announcing plans to develop 32 gigawatts of generating capacity in U.K. waters by 2020.

The project would cover a quarter of the country's electricity needs but involves enormous costs and technical risks.

The selection of successful bidders for nine wind-farm sites in U.K. waters is likely to provide a boost for the global wind-power industry, and put the U.K. firmly on the path to a low-carbon future.

Britain will have to overcome significant obstacles to achieve its targets. Developers operating in U.K. waters face increasing production costs, a weak supply chain and a lack of connections to onshore electricity grids.

The U.K. aims to become a leader in a sector still in its infancy. Only 150 gigawatts of wind-energy capacity is currently operational worldwide, and of that, only 1% is offshore—barely half of it in the U.K., according the British Wind Energy Association.

Friday's announcement represents a ramp-up in global capacity and will benefit companies making everything from wind turbines to installation vessels. In past years, the U.K. held two licensing rounds for offshore wind farms, awarding eight gigawatts of capacity. Friday's third round is for four times that—32 gigawatts—and will require the installation of about 6,400 turbines over the next 10 years.

Associated Press

An offshore U.K. wind turbine in 2009.

Construction of the Round Three projects is due to start in 2014 at the earliest.

The scale of the task has been compared with the development of North Sea oil and gas in the 1970s, which revolutionized the U.K.'s energy landscape.

The increase is essential if the U.K. is to achieve its green targets, which are some of the most ambitious among industrialized countries. Britain is committed to producing 15% of its energy from renewable sources such as wind, solar and wave power by 2020. Currently, Britain generates 2.4% from such sources.

Each Round Three project will involve banks of large turbines anchored to the seabed that rotate in the moving air and power an electric generator. The turbines will be taller than 40-story skyscrapers. Each blade on the turbines will extend about 6 meters. Also, these sites generally are farther from land and in much deeper waters than those awarded earlier.

Some analysts say such enormous wind farms, far off in the stormy waters of the North Sea, remain a risky investment, given their size and the technical challenges posed by their construction. It is also harder and more costly to maintain and repair wind farms that are out at sea than those onshore.

Meanwhile, costs for constructing wind turbines have escalated in recent years, roughly doubling from £1.5 million ($2.4 million) per megawatt in the first-round projects to £3.1 million for Friday's round, according to the BWEA. Small wind-power projects have been delayed in the U.K. as investors waited for the government to increase its financial support for the sector.

But a senior official at the U.K.'s Crown Estate, which owns the seabed out to the 12-nautical-mile territorial limit around the country, said that having a manufacturing and supply base in the U.K. would make the projects cheaper to build.

"Once the supply chain and the whole industry is mobilized, it will force the pace of development, just like it did in the North Sea oil and gas sector," said Rob Hastings, the Crown Estate's director of marine estate.

> The project would cover a quarter of the country's electricity needs.

The government's claims that expanding offshore wind capacity could create thousands of green jobs in the U.K. have been met with skepticism. Currently, most parts for wind power, such as towers, blades and control systems—are produced in continental Europe.

Successful bidders in the Third Round include utilities such as **RWE** AG and **E.On** AG of Germany; U.K. energy suppliers **Centrica** PLC and **Scottish & Southern Energy** PLC; **Iberdrola** SA of Spain; and **Vattenfall** of Sweden.

# Fast Retailing reports profit, raises outlook

By Kazuhiro Shimamura

TOKYO—**Fast Retailing** Co. on Friday reported a 57% jump in its fiscal first-quarter net profit and raised its profit and sales projections for the full year on strong sales of fall season clothing, new store openings and growing overseas sales.

The company, which sells the Uniqlo clothing brand, said its net profit in the three months ended November climbed to 34.85 billion yen ($373.8 million) from a year earlier, while sales grew 40% to 263.46 billion yen.

Fast Retailing revised upward the earnings outlook it announced three months ago. The company expects net profit for the fiscal year ending August at around 67.5 billion yen, up from an original 62 billion yen estimate, and sales at around 820 billion yen, up from 798 billion yen. In the fiscal year ended August 2009, the company posted net profit of 49.8 billion yen and sales of 685.04 billion yen.

The retailer opened 33 new stores and shut 11 stores during the quarter, increasing its total number of stores to 792. Of the 33 new stores, 10 were large shops.

The company's earnings results are based on Japanese accounting standards.

# IBM will offer financing for China clients

By Aaron Back And Paul Glader

**International Business Machines** Corp. said it will launch a financing business in China with chip maker **Advanced Micro Devices** Inc. as its first client.

IBM will provide accounts-receivable lending, also called factoring, to AMD, providing them with upfront payment while they wait up to four months to receive payment from a customer.

IBM spokeswoman Harriet Ip said the deal would generate "hundreds of millions of dollars" of business for IBM this year. IBM also anticipates adding new customers for the financing unit.

The move highlights how IBM is branching into service, consulting, and financing businesses in China that are far removed from its original core business of manufacturing computers.

Though this is IBM's first factoring operation in China, accounts receivable financing is a big business for the company world-wide. IBM's global financing unit had an asset base of $36 billion in 2008, around a third of which was from its commercial financing business, which includes factoring, Ms. Ip said.

IBM has been financing IT equipment for nearly 30 years and roughly 9% of IBM's profit came from its finance arm in 2008.

IBM said it has been granted an exclusive license to provide accounts-receivable lending in the Tianjin Binhai New Area, a special economic zone in the northeastern port city of Tianjin.

Last year, Beijing announced a "smart city" project in Shenyang, whereby it will help the city upgrade its sewage system and its environmental conditions using its technology and management.

# LG to increase its LCD efforts

By Kyong-Ae Choi

SEOUL—**LG Electronics** Inc. of South Korea aims to sell 25 million liquid-crystal-display television sets this year to claim 15% of the global market.

The sales target includes seven million high-end models featuring light-emitting diode, or LED, backlight technology, the company said in a prepared statement Sunday.

LG plans to promote the Infinia, an LED high-definition television set unveiled last year, as a key growth engine to achieve the 2010 sales target, the company said.

In 2009, LG Electronics accounted for 11% of the world's LCD television market by selling a total of 16.2 million units, according to the statement.

Given that LG aims to sell four million plasma TV sets this year, the company's overall TV sales target would reach 29 million units. LG said it plans to boost its plasma TV sales in emerging markets such as Asia, the Middle East and Central and South America by focusing on screen sizes of at least 50 inches.

The company also said it plans to sell 2.5 million Blu-ray high-definition disc players in 2010, up from one million sold last year.

**Kindle's new competition** | Some e-readers introduced at CES

| | Que | Skiff | Alex | eDGe | Copia | E6 and E101 |
|---|---|---|---|---|---|---|
| Maker | Plastic Logic | A division of Hearst Corp. | Spring Design | Entourage Systems | DMC Worldwide | Samsung |
| Price | $649 for 4 GB and Wi-Fi; $799 for 8 GB and Wi-Fi plus 3G wireless | TBA | $359 | $490 | Prices will range from $199-$299 | $399 for 6" screen and $699 for 10" |
| Availability | Begins shipping in mid-April, later sold in Barnes & Noble stores | Date TBA, will be sold in Sprint stores and elsewhere | Can be purchased starting Feb. 22 online, stores TBA | Can be ordered online now, shipping in February | Public Thecopia.com beta launches in March; devices begin selling online in April | Early this year |
| Features | Wireless, 10.7" shatter-proof plastic screen, targeting business | Slightly flexible 11.5" touch screen optimized for periodicals | Additional 3.5" color screen that can browse the Web | Features two screens, including 10.1 color LCD screen and 9.7 inch E Ink screen | Six different Copia devices access social networking site to browse and purchase books | Six and ten-inch touch screen can accept handwriting with stylus |

Photos: the companies; Business Wire (Copia)

# New options for e-readers

*Devices offer a range of features such as Web browsers, but prices remain high*

By Geoffrey A. Fowler

Electronic book-reading gadgets are getting bigger and more interactive—but not much cheaper.

More than a half-dozen new players have entered the burgeoning e-reader market at last week's Consumer Electronics Show in Las Vegas. They range from start-ups such as **Spring Design** to technology heavyweight **Samsung Electronics** Co. Research firm iSuppli estimates the global sales of e-readers topped five million in 2009 and will rise to 12 million this year.

Several of the new e-readers offer larger and sturdier black-and-white electronic-paper touch screens. E-paper screens reflect light, like regular paper, as opposed to back-lit computer screens. Some readers say e-paper screens are easier on the eyes for long-form reading. They also use power only when readers turn pages, so they last longer between charges.

**Hearst** Corp.'s Skiff, which is offering a store for enhanced digital newspaper and magazine subscriptions, says it will sell a device with an 11.5-inch screen made out of a flexible metal that is lightweight and thin.

**Plastic Logic** says its Que reader, which targets business users with a 10.7-inch screen, employs a new plastic display technology that resists the shattering that can occur on many existing glass-screen e-readers.

At prices from $649 to $799, the new premium e-readers from Plastic Logic and others could face stiff competition from a new generation of tablet-style computers, which can be used for reading but also feature color screens, Web surfing and other functions. **Apple** Inc. is expected to unveil such a computer at the end of the month.

But Plastic Logic dubs its device a "paperless briefcase" that goes beyond existing reading devices by connecting with users' business documents, e-mail and calendars. The company also says that its black-and-white E Ink screen is better suited for business reading than the back-lit color screens on most computers and cellphones.

"This is a device to replace the paper that people normally print out. It is very different than electronic book readers," says Richard Archuleta, Plastic Logic's chief executive. "Getting a tablet PC or a notebook computer doesn't really allow you to save the printing of documents— it doesn't let you work with your documents effectively." As for pricing, he says, "It is not a broad consumer product—it is meant for business professionals. We don't see pricing as an issue."

Some of the new devices are trying to blur the distinction between e-readers and computers by offering color screens and the ability to perform multiple functions.

Spring Design's $359 Alex reader features a black-and-white screen for reading and a 3.5-inch color screen below that can be used to surf the Web.

**Some new devices are trying to blur the distinction between e-readers and computers.**

**Entourage Systems** takes that idea a step further with its $490 eDGe device, with two screens that fold up like a book — one offering color, the other black-and-white e-paper for reading.

**Amazon.com** Inc., which dominates the U.S. market for reading devices with its Kindle e-reader, didn't make a CES presentation. But on Wednesday it was beginning to sell an international version of its larger-sized Kindle DX. The smaller Kindles cost $259; the DX is $489.

In addition to offering hardware improvements, several of the new entrants hope to change the way shoppers browse and buy books and periodicals.

**DMC Worldwide**, a consumer-electronics company that is new to e-readers, has been working for two years on its own devices and a Web site that offers an e-bookstore built on top of a social network.

The system, called Copia, will provide recommendations based on books that a shopper's connections have enjoyed, rather than just the shopper's past reading experience.

DMC says it hopes its bookstore, which sells books in an industry standard Epub format, will be used to supply devices from other makers, too.

"They have a pretty broad vision of the marketplace, based around developing a social platform for books," says Alan Weiner, an analyst at Gartner Inc. "They are going to get a lot of support from publishers."

DMC's approach echoes the effort by Hearst's Skiff, which wants to become a platform for periodical publishers to sell subscriptions across a variety of devices.

"We don't view this as a hardware-focused business," says Skiff's president, Gilbert Fuchsberg. "We are focused on the service side."

# Boeing reviews short-range Dreamliner

By Peter Sanders

**Boeing** Co. is reviewing its plans to build a short-range version of its new 787 Dreamliner, after the company lost the only 28 orders for the plane. **All Nippon Airways** Co. last month converted those orders to the standard, longer-range 787-8.

A Boeing executive Friday confirmed the aerospace company was re-assessing the "market viability" of the short-range version, dubbed the 787-3. On his company blog, Randy Tinseth, vice president of marketing for Boeing's commercial airplanes unit, wrote: "Simply put, getting aircraft into [ANA's] hands for earlier delivery was a better solution for them."

Short-range, wide-body aircraft are popular in Japan and elsewhere in Asia, typically ferrying large numbers of passengers, frequently on domestic routes.

They are often configured with just one or two classes of service. Boeing's 747, 767 and 777 models currently perform that role for ANA.

ANA is the to be the first customer for the Dreamliner, which is now more than two years behind schedule.

The Dreamliner began its flight-test program in December and Boeing hopes to deliver ANA's first 787 sometime in the fourth quarter of this year. ANA now has 55 orders for the 787-8 model.

The 787-3 was scheduled to enter service this year, but that was before the Dreamliner program was hit with extensive delays stretching back to 2007. Boeing hadn't given an updated estimate for when the short-range variant would be available to airlines. The 787-3 could carry between 290 to 330 passengers, compared to the roughly 250-passenger 787-8.

Chicago-based Boeing's total orders for 851 Dreamliners from 56 customers world-wide remain unchanged, the company says.

ANA competitor **Japan Airlines** last June converted its 13 orders for 787-3's into orders for the standard model, leaving ANA as the only customer for the short-range model.

Boeing still has nearly 200 orders for the 787-9, a stretched version of the basic Dreamliner, that Boeing says will have greater capacity and range than the 787-8.

# Kumar says he was paid for tips

By Chad Bray

NEW YORK—A former senior partner at consulting firm **McKinsey** & Co. pleaded guilty to criminal charges Thursday, saying he was paid more than $1 million to provide tips on McKinsey clients to Raj Rajaratnam, the founder of hedge-fund firm **Galleon Group**.

Anil Kumar pleaded guilty to conspiracy and securities fraud at a hearing before U.S. District Judge Denny Chin in Manhattan.

Mr. Kumar, 51 years old, said he was approached by Mr. Rajaratnam in late 2003 or early 2004 and began providing inside tips to him about McKinsey clients as far back as 2004, including chip maker **Advanced Micro Devices** Inc.'s plans to acquire **ATI Technologies** in 2006. Mr. Kumar said he was paid $1.75 million by Mr. Rajaratnam.

**THE GALLEON CASE**

Reuters

Former McKinsey & Co. partner Anil Kumar, center, pleaded guilty to conspiracy and securities fraud on Thursday.

Prosecutors from the U.S. Attorney's office in Manhattan had alleged Mr. Kumar tipped Mr. Rajaratnam in 2008 and a Galleon fund made improper trades on that information.

"I understood the conduct was unlawful and constituted a breach of my fiduciary duty," Mr. Kumar said during his plea.

Mr. Kumar, who is cooperating with prosecutors, faces 20 years in prison on the fraud charge. He also agreed to forfeit $2.6 million as part of his plea.

Assistant U.S. Attorney Jonathan Streeter said Mr. Kumar was paid between $1.75 million and $2 million by Mr. Rajaratnam, via a Swiss bank account in another person's name held on Mr. Kumar's behalf.

John Dowd, Mr. Rajaratnam's lawyer, said his client "did not make payments to Mr. Kumar or anyone else in return for providing inside information." AMD declined to comment.

Mr. Streeter said a condition of the payment was that Mr. Kumar reinvest a portion of the money in Galleon and he netted about $2.6 million as a result.

"Anil Kumar recognizes the fact that he has committed a serious violation of the federal securities laws," said Robert G. Morvillo, his lawyer. "He accepts responsibility for his transgression and will work with both the Office of the United States Attorney for the Southern District of New York and the [U.S. Securities and Exchange Commission] in an attempt to rectify the consequences of his conduct."

Mr. Kumar's guilty plea comes just days after prosecutors indicated they plan to file a superseding indictment against Mr. Rajaratnam and expand the charges against him.

In a court filing, prosecutors alleged Mr. Rajaratnam received tips about the AMD-ATI merger between March 2006 and July 2006 and his Galleon Technology Funds reaped at least $19 million in illegal profits as a result.

Prosecutors said Mr. Rajaratnam received the tips from a source to whom he "had begun making large payments in exchange for inside information in or about 2004" and that he is responsible for at least $36 million in illicit profits from improper insider trading.

Mr. Dowd has said a prediction by an analyst that the companies would merge was widely reported in the media "more than seven weeks before the acquisition was announced."

Before the merger being announced publicly, there had been speculation ATI was a potential takeover target. In late May 2006, a RBC Capital analyst speculated in a research note that AMD might acquire ATI.

However, Mr. Streeter said during Thursday's hearing that the tips were made in March before a potential AMD-ATI deal was reported in the media.

In a court filing seeking a reduction in Mr. Rajaratnam's bail, Mr. Dowd said, "Mr. Rajaratnam's sole objective is to clear his name, reclaim his reputation and prove his innocence. The piling on of additional flawed charges only strengthens his determination to defend this case."

A judge is expected to hear arguments Tuesday on whether to reduce Mr. Rajaratnam's $100 million bail. Prosecutors argued earlier this week that he should be detained.

Mr. Rajaratnam, Mr. Kumar and four others were originally charged in October in an alleged insider-trading plot.

# China takes step toward stock futures

By Michelle Ng And James T. Areddy

SHANGHAI—China's State Council approved in principle the launch of stock index futures and a trial program for short selling and margin trading of stocks, all part of efforts to develop the country's capital markets.

No date was set for the launch of the index futures. In a statement confirming the approval, the China Securities Regulatory Commission said it is expected to take about three months for launch preparations to be completed.

Beijing has for years balked at introducing potentially risky financial derivative and investment tools. The worry: They allow investors to bet against the stock market.

For regulators, endorsement of stock index futures by the State Council, China's highest administrative body, provides important political cover. China banned financial futures in the mid-1990s after a massive scandal involving a similar product—futures on bonds—nearly collapsed the nation's nascent financial system. Financial problems involving derivatives in overseas markets, from Singapore to Japan, plus losses in derivatives markets by Chinese companies, left policy makers with no appetite to greenlight financial futures for the stock market.

Futures do exist in China. A decade or so ago, as Beijing began to consume commodities like cotton, soybeans and copper on a big scale, policy makers retooled a system of futures products based on the prices of those products. Today, China's commodity-futures exchanges are among the most active in the world and, while foreigners don't have easy access, increasingly influence global prices of those products.

The securities regulator also didn't disclose when the trial for short selling and margin trading will begin, but said the program will be gradually extended. It added it will select "good quality" brokerages to participate in the program.

Regulatory officials have periodically fanned hopes for the index futures' imminent launch in the past few years by saying conditions are ripe enough. While some analysts said the State Council's endorsement could lift Shanghai shares Monday, others said with details still sketchy such optimism may be premature. "The CSRC statement says the preparation will take about three months but anything can happen in the interim that can prompt Beijing to take a U-turn," said Qian Qimin, an analyst at Shenyin & Wanguo Securities.

# *A return to the 'plus side' for U.S. corporate profits*

*Continued from page 19*

this time," Mr. Swanson says.

Nicholas Colas, chief market strategist at BNY Convergex Group, says that given the usual impact of the holiday season, more important will be whether revenue has risen from the previous year's quarter. That is likely, he says, for stocks within the Dow Jones Industrial Average—the first time in 2009 that has happened.

"That, in and of itself, is an impressive rebound," Mr. Colas says.

The worry now is whether expectations may be too high. Analysts are forecasting a 7.6% increase in revenue, up from the 6.3% forecast in November. And expectations have been rising since the summer.

"I'm surprised as to how aggressively they have raised forecasts every month," Mr. Colas says.

Overall, S&P 500 companies are expected to post operating earnings of $15.80 per share for the fourth quarter, up from $5.62 per share in the fourth quarter of 2008, according to Thomson Reuters.

Even with that rebound, it would only bring the full year result to $59.87, down from $65.47 for all of 2008 and well below peak earnings of $85.12 posted in 2006.

One big question is the degree to which companies will continue their recent strong history of topping analysts' forecasts. In the third quarter, a record 80% of S&P 500 companies beat expectations, many by a wide margin.

If there is one corner of the market where investors seem to almost universally be expecting good news, it is among technology stocks, which now carry the largest weighting of companies in the S&P 500. Last quarter, tech companies were more likely than any others to exceed revenue expectations. This quarter, tech companies are expected to post a 30% increase in earnings from a year earlier.

David Bianco, U.S. equity strategist at Bank of America Merrill Lynch, expects an overall solid quarter for earnings but says financials "are a wild card."

The unknown, Mr. Bianco says, is the degree to which banks will decide to build additional reserves against problem loans, particularly in commercial real estate, in the final quarter of 2009. If banks put aside more than expected, that would hurt fourth-quarter numbers, but it wouldn't necessarily be bad news, he says.

"For me, the best scenario for financials would be if they come in as expected or don't beat estimates...but provide guidance to strong numbers for 2010 by saying the economy will continue to improve and their loan reserves are big enough," Mr. Bianco says.

# *Regulators coddle small investors ahead of Rusal's public stock offering in Hong Kong*

*Continued from page 19*

underwriters wanted to sell shares to the public, but regulators wouldn't let them.

David Webb, a Hong Kong corporate-governance advocate, takes a dim view of the SFC's move. "Would they be so kind as to tell us which other stocks are too risky to invest in," he asks.

What is worse, Mr. Webb notes, is that individuals will be able to trade Rusal shares in the secondary market, where Hong Kong law offers them less protection.

Rusal clearly has issues. The company lost $868 million in the first half last year. Even after a debt restructuring, it still has $14.9 billion in outstanding loans. Moreover, there are concerns that its controlling shareholder, Oleg Deripaska, one of Russia's most powerful oligarchs, may have ties to organized crime. Mr. Deripaska has denied any criminal ties and has never been charged with a crime.

But Rusal also has its attractions. It is an industry leader with the lowest production costs of any major aluminum producer. It is a direct play on recovery in demand for aluminum at a time when commodity prices are on the rise. It owns a 25% stake in OAO **Norilsk Nickel**, the world's largest nickel producer, that could generate significant cash flow as Norilsk's earnings recover.

Some investors have seen the upside. Hedge-fund manager Nathaniel Rothschild has made a $100 million commitment to buy shares, and so has the fund firm run by another hedge-fund manager, John Paulson; Robert Kuok, the Malaysian-born billionaire with holdings in palm oil, sugar, hotels and property, is in for $20 million.

Hong Kong's regulators might be understandably wary after an uproar last year over major losses by small investors who bought derivatives backed by Lehman known as minibonds that ended up losing much of their value. The SFC came under fire for not doing enough to protect the public.

The people who trade Hong Kong stocks, however, are generally a hardier lot with stronger stomachs than the retirees who bought minibonds.

"The Hong Kong public expects to be able to participate in new issues and have been enthusiastic investors in the past," says Mark Konyn, chief executive of asset-management firm RCM Asia Pacific. If Rusal's stock underperforms, the SFC might look smart for having done well by the Hong Kong investing public. But "if it proves successful," Mr. Konyn says, "a sense of exclusion may not sit well."

*—Alex Frangos contributed to this article.*

# Back to 2007 for BofA bonuses

*Expected payouts for some follow rebound at Merrill Lynch; an effort to keep bankers*

By Dan Fitzpatrick

**Bank of America** Corp. investment bankers are likely to get bonuses that are close to 2007 levels as the giant bank tries to stem more defections following its takeover of Merrill Lynch & Co., according to people familiar with the situation.

The expected payouts reflect Merrill's recovery since the securities firm's net loss of $27.6 billion in 2008, forcing a rescue by the U.S. government. Through the first three quarters of last year, Merrill churned out profit of $2.2 billion, or about one-third of Bank of America's overall earnings of $6.5 billion.

But the move could reignite controversy over Merrill's stratospheric pay culture, which remained largely intact even as the financial crisis pushed the company close to collapse. Merrill employees collected $3.6 billion in bonuses for 2008, triggering regulatory and congressional probes that contributed to the unexpected retirement of Chief Executive Kenneth Lewis.

Mr. Lewis's successor, Brian Moynihan, who took over Jan. 1, is trying to repair the bank's tarnished image and shore up its investment-banking unit after several high-profile departures in early 2009 cast doubt on the viability of the Merrill acquisition.

For most of last year, Bank of America operated with U.S. government support, but its December return of $45 billion in bailout funds let it escape pay restrictions.

Company spokesman Robert Stickler declined to comment on specific bonus amounts but said the figures still could change and must be approved by the bank's board later this month.

"Therefore, no one should make assumptions about amounts," he said. "We are a pay-for-performance company. Any generalities about levels of salaries are inaccurate to the extent that we pay individuals based on their own performance, the performance of their unit and the performance of their company."

Most investment bankers at Bank of America came to the company as part of the Merrill deal.

While some bankers are expected to receive bonuses equal to what they got in 2007, the overall average is likely to be "somewhat" lower, said a person familiar with the matter. The year 2007 wasn't a record year for bonuses at the combined firm, this person added. It isn't known if traders will get similar bonuses.

Under the basic formula likely to be used by Bank of America, about 25% of 2009 bonuses will be paid in cash, with the rest as deferred payments of stock or cash that will vary in value with the company's performance, these people said. Portions of pay for many executives would be subject to clawbacks in the event of future losses

The 75%-25% stock-cash split is higher than it has been in previous years for Merrill and Bank of America, said a person familiar with the structure. The goal is to discourage the taking of outsize risks that would hurt the company's future performance, this person said.

Some of the deferred stock would be in the form of "phantom units" subject to fluctuations in the bank's share performance and available in increments of cash over a three-year period. Bankers expect to be told about their pay in late January or early February.

The amounts will be awarded in mid-February.

Bank of America's willingness to pay bonuses near 2007 levels is calming tensions among former Merrill executives and tamping down talk of more defections. "Nobody is talking about leaving," said one person familiar with the matter.

The arrangement could cool tensions among bankers who were at BofA before the Merrill deal and saw their bonuses drastically reduced in 2008. For 2008, this person said, "the feeling was the Merrill guys got paid and Bank of America guys didn't."

In 2008, BofA paid $3.3 billion in bonuses, or $13,580 per employee. Merrill's payouts of $3.6 billion in 2008 bonuses worked out to $61,017 per employee. BofA completed the Merrill purchase on Jan. 1, 2009.

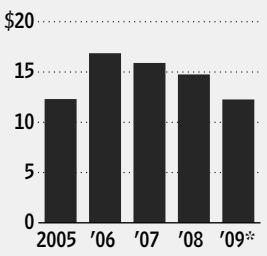
Merrill's bonus pool shrank by nearly 40% from 2007 to 2008. In 2007, Merrill handed out $5.8 billion in year-end bonuses, said people familiar with the figures. The size of BofA's bonus pool in 2007 couldn't be determined.

Analysts expect the Charlotte, N.C., bank to report a fourth-quarter loss of about $4 billion, according to Thomson Reuters.

*—Robin Sidel contributed to this article.*

**Soft landing**

**Merrill Lynch compensation and benefits, in billions**




*Estimate based on $9.2 billion for the nine months ended Sept. 30
Source: the company

Getty Images

**Bank of America CEO Brian Moynihan is trying to repair the bank's image.**

# N.Y. Fed told AIG to shield bank payouts

By Serena Ng
And Michael R. Crittenden

The Federal Reserve Bank of New York told **American International Group** Inc. not to disclose key details of their agreements to make big payouts to banks in the insurer's regulatory filings in late 2008, according to a set of email exchanges released Thursday.

AIG later amended its regulatory filings several times over the following months and provided the information after the Securities and Exchange Commission requested more disclosure. Congress also pressured the insurer to release the names of banks that were paid in full on $62 billion in bets on soured mortgage securities. The biggest payouts went to French bank **Société Générale** and to Wall Street firm **Goldman Sachs Group** Inc., AIG finally said publicly in mid-March 2009.

The government's handling of the AIG bailout continues to draw scrutiny and has created political difficulty for Treasury Secretary Timothy Geithner, who was president of the New York Fed when it first bailed out AIG in September 2008. He played a key role in the regional Fed bank's November 2008 decision to make U.S. and European banks whole on their mortgage gambles with AIG, according to a government audit last year.

On Friday, the White House defended Mr. Geithner, saying he wasn't involved in the emails.

"These decisions did not rise to his level at the Fed," White House spokesman Robert Gibbs said. Asked by a reporter if Mr. Geithner still has President Barack Obama's confidence, Mr. Gibbs said, "Of course."

A Treasury spokeswoman said that by Nov. 24, Mr. Geithner was recused from working on issues involving specific companies, including AIG.

Thomas Baxter, general counsel of the New York Fed, said Thursday that "there was no effort to mislead the public." He said it was "appropriate" for the institution to comment on AIG's disclosures on transactions involving the New York Fed, "with the understanding that the final decision rested with AIG and its external securities counsel."

"Our focus was on ensuring accuracy and protecting the taxpayers' interests during a time of severe economic distress," Mr. Baxter said. Amid the financial crisis in late 2008, the Fed was reluctant to have AIG's trading partners identified because it feared such information would discourage other firms from doing business with the insurer and spark worries about the banks themselves.

An AIG spokesman declined to comment on the issue.

On Friday, Rep. Edolphus Towns (D., N.Y.), who chairs the House Committee on Oversight and Government Reform, said he would hold a hearing on the AIG disclosure issue later this month and called on Mr. Geithner and Mr. Baxter to testify.

"More than one year after the first federal bailout of AIG, the American people continue to question where their tax dollars were really sent when the government rescued this company," said Mr. Towns.

Copies of email exchanges from late November 2008 to March 2009 between lawyers representing AIG and the New York Fed were released by Rep. Darrell Issa (R., Calif.), ranking minority member of the House Committee on Oversight and Government Reform.

The emails show lawyers discussing what to disclose in AIG's December SEC filings about agreements the New York Fed and AIG's financial-products division struck to make banks whole on credit-default-swap contracts they had purchased from AIG.

In a Nov. 25 email, Peter Bazos, an attorney at law firm Davis Polk & Wardwell, which represents the New York Fed, wrote that certain agreements "do not need to be filed." One agreement contained the names of banks that received payouts from AIG. A Davis Polk spokesman declined to comment.

In response, an AIG in-house lawyer, Kathleen Shannon, said the company and its law firm Sullivan & Cromwell "believe that the better practice and better disclosure in this complex area is to file the agreements." She also wrote that staff at the SEC "would not be particularly happy with a decision to withhold the documents at this time."

Subsequent email exchanges in December 2008 showed extensive editing that lawyers for the New York Fed made to an AIG draft filing and news release. When AIG released its 8-K filing on Dec. 24, it made mention of a list of its derivative transactions, but a schedule supposed to contain them was left blank.

On Dec. 30, the SEC sent a letter to Edward Liddy, AIG's CEO at the time, requesting revisions to the filing and more information about the agreement, including the list of derivative transactions. In mid-January 2009, AIG amended its filing and submitted the list of deals to the SEC, but its public filings didn't include the list, saying "confidential treatment has been requested for the omitted portions."

In early March, Federal Reserve Vice Chairman Donald Kohn told a congressional hearing he couldn't reveal the names of AIG's counterparties or how much was paid to each of them, saying that information "would undermine the stability of the company and could have serious knock-on effects to the rest of the financial markets and the government's efforts to stabilize them."

Days later, AIG released the names of its counterparties, listing 16 banks that had received $62.1 billion in payments as part of agreements to tear up their derivative contracts with the insurer.

Treasury spokeswoman Meg Reilly said what has been overshadowed is the fact that the government expects to be repaid in full, with interest, on the money it provided to buy the AIG-linked securities.

# TMB Bank gets set to pay first dividend since '97 crisis

By Phisanu Phromchanya

BANGKOK—Thailand's **TMB Bank** PCL plans to write down about 400 billion baht ($12.1 billion) worth of its capital in May, paving the way for the bank to pay a dividend for the first time since the 1997 Asian financial crisis.

Using an accounting tool known as a "par-value capital reduction," the bank plans to cancel retained losses and deal with a share discount on its books. The move won't affect the bank's fundamental financial condition because shareholders' equity and book value will remain unchanged. With the retained losses cleared, the bank will be able to pay dividends.

The midsize bank, Thailand's sixth-largest, reached its current form following a merger in 2004 of the Thai Military Bank PCL with DBS Thai Danu Bank PCL and Industrial Finance Corp. of Thailand, which was controlled by the Finance Ministry.

TMB has taken longer to bounce back from the crisis than its bigger peers, such as **Bangkok Bank** PCL and **Kasikornbank** PCL.

**The bank's chief executive expects nonperforming loans to fall this year.**

Of the total capital to be written down, about 100 billion baht will be used to erase accumulated losses and another 300 billion baht to wipe out the share discount, which the bank recorded on its balance sheet when it sold new shares at a price below par value.

TMB expects to finalize details of the par-value-reduction plan in February, Chief Executive Boontuck Wungcharoen said Friday.

"If we can and have a chance to do so, we hope to pay a dividend in the second half of this year," he said.

The par-value reduction will take place after May 18, when the Finance Ministry is scheduled to convert preferred shares it holds in the lender into common shares.

On the earnings front, TMB has set an internal target for this year of between 2.4 billion baht and 2.5 billion baht, Mr. Boontuck said.

Assuming the local economy expands by 3.2% this year, TMB is aiming for lending to grow between 8% and 10%, after contracting last year.

Mr. Boontuck expects TMB's gross nonperforming loans to fall to less than 10% of its total loan portfolio by the end of this year, from around 11% at the end of 2009.

TMB's problem loans have dropped steadily over the past year and the trend is likely to continue this year.

The bank intends to sell some of its holdings of bad debt.

Dutch financial group ING Groep N.V. is TMB's largest shareholder, owning 30%.

The Finance Ministry is the second largest, with a 26.1% stake, including the preferred shares.

# Dollar faces hangover from U.S. jobs report

By Don Curren

The December U.S. employment report will set the tone for currency trading this week, perhaps knocking the dollar off its strengthening track against the euro and the yen.

The dollar had been on an upward trend against its major rivals for weeks, supported by the view that improving economic indicators would encourage the Federal Reserve to begin removing monetary stimulus and raise interest rates sooner than expected. That rally was largely sparked by an encouraging November employment report.

**CURRENCY MARKETS**

But with December's jobs report on Friday showing the U.S. economy lost 85,000 jobs, those expectations could be revised, muddying the near-term outlook for the currency and compelling the dollar to retrace at least some of its rise.

"We see another bout of dollar weakness here until the Fed gets with the process of rate normalization," said Michael Woolfolk, senior currency strategist with the Bank of New York Mellon. "It seems pretty clear the Fed feels comfortable with rates where they are for the time being, and until there is a sustained improvement in employment, they're likely to keep rates low."

Analysts see the euro moving in a relatively tight range between $1.4300 and $1.4500 against the dollar. The dollar is seen fluctuating between 91.50 yen and 94.00 yen.

Late Friday in New York, the euro was at $1.4417, up from $1.4323 late Thursday. The dollar was at 92.61 yen, down from 93.23 yen, while the euro was at 133.52 yen, down from 133.54. The U.K. pound was at $1.6028, up from $1.5940. The dollar was at 1.0233 Swiss francs, down from 1.0332 francs.

Still, the dollar's near-term losses could be limited. Both of the dollar's biggest rivals face obstacles of their own, which could prevent them from moving decisively higher.

The yen is contending with a new finance minister seemingly intent on a more activist stance on the currency as well as a weak fundamental outlook in Japan. The euro is still overshadowed by the sovereign credit concerns swirling around Greece and other fiscally troubled countries in the euro zone.

"It looks like the dollar has turned a larger corner," despite the disappointing payrolls numbers, said Brian Dolan, chief currency strategist at Forex.com. "Investors are using dollar weakness as a buying opportunity."

However, the expectation that rates will remain low in the U.S. will encourage the dollar's continued use as a funding currency in "carry trades." In such trades, investors borrow in a low-yielding currency and invest the proceeds in other, higher-yielding currencies.

None of the data scheduled for release in the U.S. this week are likely to prove as influential as December's jobs data.

# Nikkei boosted by exporters on weaker yen

By Colin Ng And Leslie Shaffer

Japanese exporters, helped by the yen's recent weakness, boosted Tokyo's stock market Friday, while **Hutchison Telecommunications**' shares surged in Hong Kong on an offer to take the company private.

Japan's Nikkei Stock Average of 225 companies gained 1.1% to 10798.32 and rose 2.4% for the week, marking its sixth consecutive weekly gain. The market will be closed Monday for the Coming of Age holiday.

**ASIAN-PACIFIC STOCKS**

**Toyota Motor** added 2.9%, **Honda Motor** rose 3.1%, **Sony** rose .4% and **Panasonic** gained 1.9%.

On the downside, **Japan Airlines** sank 12% on lingering fears it may have to seek bankruptcy protection.

Chip makers were higher around Asia after a Nikkei newspaper report saying their earnings are recovering rapidly thanks to growing global demand for high-tech products. Japan's **Elpida Memory** gained 4.2%, with the report saying the chip maker is expected to enjoy its first operating profit in three years this fiscal year. **Toshiba** added 3.5%, as the report said the company's chip business, which recorded a loss last fiscal year, may break even this year.

In Hong Kong, Hutchison Telecommunications jumped 29% to 2.12 Hong Kong dollars (27 U.S. cents) after parent **Hutchison Whampoa** offered to take the company private for HK$2.20 a share, marking a 33% premium to the stock's presuspension price, and valuing the deal at about US$545 million.

After an early decline, Chinese shares advanced on bargain-buying in beaten-down property developers. **Poly Real Estate Group** climbed 1.3% and **Beijing Huaye Realestate** rose 3.2% in Shanghai, while **Agile Property Holdings** added 1.4% in Hong Kong.

Hong Kong's Hang Seng Index ended the week up 1.9% at 22296.75 for its third straight weekly rise and fourth of the past six.

The Shanghai Composite index, on the other hand, fell 2.5% for the week to 3196, its third weekly decline in the past five.

# FUND SCORECARD

## Asia-Pacific with Japan Equity

Funds that invest at least 75% of equities in Pacific Rim countries and at least 15% in Japan. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending January 08, 2010

### Leading 10 Performers

| FUND RATING* | FUND NAME | FUND MGM'T CO. | CURR. | LEGAL BASE | % Return in $US ** YTD | 1-YR | 2-YR | 5-YR |
|---|---|---|---|---|---|---|---|---|
| NS | **Jih Sun Asia New Star** | Jih Sun Securities Inv Trust Co., Ltd | TWD | Taiwan | **1.34** | 83.16 | NS | NS |
| NS | **Fidelity RMT-As Pac Eq** | FIL Investment Management(HK)Ltd | HKD | Hong Kong | **1.55** | 72.90 | 2.27 | NS |
| 5 | **President Asia Pacific** | Uni-President Asset Management Co., Ltd | TWD | Taiwan | **1.05** | 72.48 | -2.46 | 11.74 |
| NS | **Taishin Great China** | Taishin Securities Investment Trust | TWD | Taiwan | **3.34** | 68.60 | NS | NS |
| NS | **Fuh Hwa Asia Pacific Equity** | Fuh-Hwa Investment Trust Co., Ltd | TWD | Taiwan | **1.54** | 67.31 | 2.41 | NS |
| 2 | **Fidelity AW Pacific A** | Fidelity (FIL Fund Management Limited) | USD | Bermuda | **4.04** | 66.80 | -14.42 | 6.99 |
| 2 | **FF - Pacific A USD** | Fidelity (FIL (Luxembourg) S.A.) | USD | Luxembrg | **4.06** | 65.35 | -14.30 | 7.02 |
| 3 | **All Asia T** | Schoellerbank Invest AG | EUR | Austria | **3.81** | 64.92 | -10.42 | 10.42 |
| NS | **bfw asia-pacific quant selection** | bfw fondsleitung ag | USD | Liechtnstn | **3.37** | 64.43 | -9.33 | NS |
| 3 | **iShares DJ Asia/Pacific Select Dividend** | iShares Plc | USD | Ireland | **1.29** | 64.36 | -8.00 | NS |

**NOTE**: Changes in currency rates will affect performance and rankings.
**KEY**: ** 2YR and 5YR performance is annualized
**NA**-not available due to incomplete data;
**NS**-fund not in existence for entire period

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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| **AHW CAPITAL MANAGEMENT** | | | | | | | | | |
| *Tel (+49) 1805 - 23 82 82* | | | | | | | | | |
| *www.ahw-capital.com* | | | | | | | | | |
| AHW Top-Div.Int. | GL | EQ | LUX | 01/06 | EUR | 55.62 | 1.8 | 16.4 | -27.1 |
| **ALLIANCE BERNSTEIN** | | | | | | | | | |
| *www.alliancebernstein.com/investments Tel. +800 2263 8637* | | | | | | | | | |
| Am Eq Blend A | OT | OT | LUX | 01/07 | USD | 10.68 | 3.0 | 29.3 | -12.3 |
| Am Eq Blend B | US | EQ | LUX | 01/07 | USD | 10.03 | 2.9 | 28.1 | -13.1 |
| Am Growth A | US | EQ | LUX | 01/07 | USD | 31.85 | 2.0 | 37.5 | -3.4 |
| Am Growth AX | US | EQ | LUX | 01/07 | USD | 34.38 | 2.0 | 38.3 | -2.8 |
| Am Growth B | US | EQ | LUX | 01/07 | USD | 26.77 | 1.9 | 36.1 | -4.4 |
| Am Growth C | US | EQ | LUX | 01/07 | USD | 28.81 | 1.9 | 36.9 | -3.8 |
| Am Growth I | US | EQ | LUX | 01/07 | USD | 35.30 | 2.0 | 38.5 | -2.6 |
| Am Income A | US | BD | LUX | 01/07 | USD | 8.50 | 0.8 | 24.3 | 5.6 |
| Am Income A2 | US | BD | LUX | 01/07 | USD | 19.21 | 0.9 | 24.4 | 5.6 |
| Am Income A2 | OT | OT | NA | 01/07 | HKD | 148.98 | 0.9 | NS | NS |
| Am Income AT | OT | OT | NA | 01/07 | HKD | 65.84 | 1.0 | NS | NS |
| Am Income AT | US | BD | LUX | 01/07 | USD | 8.49 | 1.0 | 24.5 | 5.6 |
| Am Income B | US | BD | LUX | 01/07 | USD | 8.50 | 0.8 | 23.3 | 4.8 |
| Am Income B2 | US | BD | LUX | 01/07 | USD | 16.56 | 0.9 | 23.6 | 4.9 |
| Am Income B2 | OT | OT | NA | 01/07 | HKD | 128.43 | 0.9 | NS | NS |
| Am Income BT | OT | OT | NA | 01/07 | HKD | 66.15 | 0.8 | NS | NS |
| Am Income BT | US | BD | LUX | 01/07 | USD | 8.53 | 0.8 | 23.4 | 4.9 |
| Am Income C | US | BD | LUX | 01/07 | USD | 8.50 | 0.8 | 23.7 | 5.1 |
| Am Income C2 | US | BD | LUX | 01/07 | USD | 24.62 | 0.9 | 23.8 | 5.1 |
| Am Income I | US | BD | LUX | 01/07 | USD | 8.50 | 0.8 | 25.1 | 6.3 |
| Am Value A | US | EQ | LUX | 01/07 | USD | 8.71 | 2.1 | 19.3 | -12.3 |
| Am Value B | US | EQ | LUX | 01/07 | USD | 8.02 | 2.2 | 18.1 | -13.2 |
| Am Value C | US | EQ | LUX | 01/07 | USD | 8.71 | 2.1 | 18.7 | -12.7 |
| Am Value I | US | EQ | LUX | 01/07 | USD | 9.38 | 2.2 | 20.3 | -11.6 |
| Emg Mkts Debt A | GL | BD | LUX | 01/07 | USD | 15.71 | 1.0 | 44.3 | 8.1 |
| Emg Mkts Debt A2 | GL | BD | LUX | 01/07 | USD | 20.32 | 1.0 | 44.4 | 8.1 |
| Emg Mkts Debt AT | GL | BD | LUX | 01/07 | USD | 15.76 | 1.0 | 44.5 | 8.1 |
| Emg Mkts Debt B | GL | BD | LUX | 01/07 | USD | 15.71 | 1.0 | 42.9 | 7.0 |
| Emg Mkts Debt B2 | GL | BD | LUX | 01/07 | USD | 19.56 | 1.0 | 43.0 | 7.0 |
| Emg Mkts Debt BT | GL | BD | LUX | 01/07 | USD | 15.74 | 1.0 | 43.0 | 7.0 |
| Emg Mkts Debt C | GL | BD | LUX | 01/07 | USD | 15.71 | 1.0 | 43.7 | 7.6 |
| Emg Mkts Debt C2 | GL | BD | LUX | 01/07 | USD | 19.96 | 1.0 | 43.7 | 7.6 |
| Emg Mkts Debt I | GL | BD | LUX | 01/07 | USD | 15.71 | 1.0 | 45.0 | 8.6 |
| Emg Mkts Growth A | GL | EQ | LUX | 01/07 | USD | 35.57 | 2.7 | 73.8 | -11.2 |
| Emg Mkts Growth B | GL | EQ | LUX | 01/07 | USD | 30.15 | 2.7 | 72.1 | -12.0 |
| Emg Mkts Growth C | GL | EQ | LUX | 01/07 | USD | 30.83 | 2.6 | 73.0 | -11.6 |
| Emg Mkts Growth I | GL | EQ | LUX | 01/07 | USD | 39.44 | 2.7 | 75.1 | -10.4 |
| Eur Growth A | OT | OT | LUX | 01/07 | USD | 10.27 | 2.1 | 24.0 | -15.1 |
| Eur Growth A | OT | OT | LUX | 01/07 | EUR | 7.18 | 2.1 | 24.0 | -15.1 |
| Eur Growth B | OT | OT | LUX | 01/07 | EUR | 6.45 | 2.1 | 22.6 | -16.0 |
| Eur Growth B | OT | OT | LUX | 01/07 | USD | 9.23 | 2.1 | 22.6 | -16.0 |
| Eur Growth C | EU | EQ | LUX | 01/07 | EUR | 5.44 | 2.1 | 23.4 | -15.5 |
| Eur Growth I | OT | OT | LUX | 01/07 | USD | 11.20 | 2.1 | 25.1 | -14.5 |
| Eur Growth I | OT | OT | LUX | 01/07 | EUR | 7.83 | 2.1 | 25.1 | -14.5 |
| Eur Income A | OT | OT | LUX | 01/07 | EUR | 6.70 | 1.5 | 39.8 | 4.5 |
| Eur Income A | OT | OT | LUX | 01/07 | USD | 9.58 | 1.5 | 39.8 | 4.5 |
| Eur Income A2 | OT | OT | LUX | 01/07 | EUR | 13.09 | 1.7 | 40.1 | 4.6 |
| Eur Income A2 | OT | OT | LUX | 01/07 | USD | 18.73 | 1.7 | 40.1 | 4.6 |
| Eur Income AT | EU | BD | LUX | 01/07 | EUR | 6.70 | 1.8 | 40.2 | 4.6 |
| Eur Income B | OT | OT | LUX | 01/07 | EUR | 6.70 | 1.5 | 39.0 | 3.8 |
| Eur Income B | OT | OT | LUX | 01/07 | USD | 9.58 | 1.5 | 39.0 | 3.8 |
| Eur Income B2 | OT | OT | LUX | 01/07 | EUR | 12.17 | 1.7 | 39.1 | 3.8 |
| Eur Income B2 | OT | OT | LUX | 01/07 | USD | 17.41 | 1.7 | 39.1 | 3.8 |
| Eur Income BT | EU | BD | LUX | 01/07 | EUR | 6.70 | 1.7 | 39.0 | 3.8 |
| Eur Income C | OT | OT | LUX | 01/07 | EUR | 6.70 | 1.5 | 39.3 | 4.1 |
| Eur Income C | OT | OT | LUX | 01/07 | USD | 9.58 | 1.5 | 39.3 | 4.1 |
| Eur Income C2 | OT | OT | LUX | 01/07 | EUR | 13.05 | 1.7 | 39.6 | 4.1 |
| Eur Income C2 | OT | OT | LUX | 01/07 | USD | 18.67 | 1.7 | 39.6 | 4.1 |
| Eur Income I | OT | OT | LUX | 01/07 | EUR | 6.70 | 1.5 | 40.5 | 5.1 |
| Eur Income I | OT | OT | LUX | 01/07 | USD | 9.58 | 1.5 | 40.5 | 5.1 |
| Eur Strat Value A | OT | OT | LUX | 01/07 | EUR | 8.69 | 1.9 | 21.0 | -19.3 |
| Eur Strat Value A | OT | OT | LUX | 01/07 | USD | 12.43 | 1.9 | 21.0 | -19.3 |
| Eur Strat Value I | OT | OT | LUX | 01/07 | EUR | 8.90 | 1.8 | 22.1 | -18.6 |
| Eur Strat Value I | OT | OT | LUX | 01/07 | USD | 12.73 | 1.8 | 22.1 | -18.6 |
| Eur Value A | OT | OT | LUX | 01/07 | EUR | 9.35 | 1.6 | 23.8 | -16.2 |
| Eur Value A | OT | OT | LUX | 01/07 | USD | 13.38 | 1.6 | 23.8 | -16.2 |
| Eur Value B | OT | OT | LUX | 01/07 | USD | 12.30 | 1.7 | 22.7 | -17.0 |
| Eur Value B | OT | OT | LUX | 01/07 | EUR | 8.60 | 1.7 | 22.7 | -17.0 |
| Eur Value C | OT | OT | LUX | 01/07 | USD | 12.93 | 1.7 | 23.3 | -16.5 |
| Eur Value C | OT | OT | LUX | 01/07 | EUR | 9.04 | 1.7 | 23.3 | -16.5 |
| Eur Value I | OT | OT | LUX | 01/07 | USD | 15.45 | 1.7 | 24.9 | -15.5 |
| Eur Value I | OT | OT | LUX | 01/07 | EUR | 10.80 | 1.7 | 24.9 | -15.5 |
| Gl Balanced (Euro) A | OT | OT | LUX | 01/07 | USD | 16.69 | 1.7 | 21.3 | -9.6 |
| Gl Balanced (Euro) B | OT | OT | LUX | 01/07 | USD | 16.25 | 1.7 | 20.1 | -10.5 |
| Gl Balanced (Euro) C | OT | OT | LUX | 01/07 | USD | 16.57 | 1.8 | 21.0 | -9.8 |
| Gl Balanced (Euro) I | OT | OT | LUX | 01/07 | USD | 16.99 | 1.7 | NS | NS |
| Gl Balanced A | US | BA | LUX | 01/07 | USD | 16.75 | 1.6 | 24.7 | -9.1 |
| Gl Balanced B | US | BA | LUX | 01/07 | USD | 15.93 | 1.7 | 23.6 | -10.0 |
| Gl Balanced C | OT | OT | LUX | 01/07 | USD | 16.50 | 1.6 | 24.3 | -9.4 |
| Gl Balanced C | OT | OT | LUX | 01/07 | EUR | 11.53 | 1.6 | 24.3 | -9.4 |
| Gl Balanced I | US | BA | LUX | 01/07 | USD | 17.38 | 1.7 | 25.7 | -8.5 |
| Gl Bond A | US | BD | LUX | 01/07 | USD | 9.30 | 0.6 | 13.5 | 4.5 |
| Gl Bond A2 | US | BD | LUX | 01/07 | USD | 16.12 | 0.7 | 13.4 | 4.5 |
| Gl Bond A2 | OT | OT | NA | 01/07 | HKD | 125.02 | 0.7 | 13.4 | 4.5 |
| Gl Bond AT | OT | OT | LUX | 01/07 | HKD | 71.97 | 0.7 | 13.3 | 4.4 |
| Gl Bond AT | US | BD | LUX | 01/07 | USD | 9.28 | 0.7 | 13.3 | 4.4 |
| Gl Bond B | US | BD | LUX | 01/07 | USD | 9.30 | 0.6 | 12.4 | 3.4 |
| Gl Bond B2 | US | BD | LUX | 01/07 | USD | 14.11 | 0.6 | 12.3 | 3.4 |
| Gl Bond B2 | OT | OT | NA | 01/07 | HKD | 109.43 | 0.6 | 12.3 | 3.4 |
| Gl Bond BT | OT | OT | LUX | 01/07 | HKD | 72.28 | 0.6 | 12.3 | 3.4 |
| Gl Bond BT | US | BD | LUX | 01/07 | USD | 9.32 | 0.6 | 12.3 | 3.4 |
| Gl Bond C | US | BD | LUX | 01/07 | USD | 9.30 | 0.6 | 13.0 | 4.0 |
| Gl Bond C2 | US | BD | LUX | 01/07 | USD | 13.98 | 0.6 | 12.8 | 4.0 |
| Gl Bond I | US | BD | LUX | 01/07 | USD | 9.30 | 0.6 | 14.1 | 5.1 |
| Gl Conservative A | US | BA | LUX | 01/07 | USD | 15.03 | 1.1 | 15.9 | -3.5 |
| Gl Conservative A2 | US | BA | LUX | 01/07 | USD | 17.11 | 1.1 | 16.6 | -3.3 |
| Gl Conservative B | US | BA | LUX | 01/07 | USD | 15.02 | 1.1 | 15.1 | -4.4 |
| Gl Conservative B2 | US | BA | LUX | 01/07 | USD | 16.25 | 1.0 | 15.4 | -4.2 |
| Gl Conservative C | US | BA | LUX | 01/07 | USD | 15.01 | 1.0 | 15.5 | -3.9 |
| Gl Conservative C2 | US | BA | LUX | 01/07 | USD | 16.73 | 1.0 | 16.1 | -3.7 |
| Gl Conservative I | US | BA | LUX | 01/07 | USD | 15.09 | 1.0 | 16.7 | -2.9 |
| Gl Eq Blend A | GL | EQ | LUX | 01/07 | USD | 11.93 | 2.3 | 31.2 | -18.8 |
| Gl Eq Blend B | GL | EQ | LUX | 01/07 | USD | 11.20 | 2.3 | 30.1 | -19.6 |
| Gl Eq Blend C | GL | EQ | LUX | 01/07 | USD | 11.72 | 2.3 | 30.7 | -19.1 |
| Gl Eq Blend I | GL | EQ | LUX | 01/07 | USD | 12.59 | 2.4 | 32.4 | -18.1 |
| Gl Growth A | GL | EQ | LUX | 01/07 | USD | 42.82 | 2.2 | 30.1 | -19.8 |
| Gl Growth B | GL | EQ | LUX | 01/07 | USD | 35.74 | 2.2 | 28.8 | -20.6 |
| Gl Growth C | GL | EQ | LUX | 01/07 | USD | 41.09 | 2.2 | 29.5 | -20.2 |
| Gl Growth I | GL | EQ | LUX | 01/07 | USD | 47.55 | 2.2 | 31.2 | -19.2 |
| Gl High Yield A | US | BD | LUX | 01/07 | USD | 4.42 | 2.1 | 57.6 | 5.7 |
| Gl High Yield A2 | US | BD | LUX | 01/07 | USD | 9.46 | 2.2 | 57.7 | 5.6 |
| Gl High Yield A2 | OT | OT | NA | 01/07 | HKD | 73.37 | 2.2 | 57.7 | 5.6 |
| Gl High Yield AT | OT | OT | NA | 01/07 | HKD | 33.97 | 2.3 | 57.7 | 5.7 |
| Gl High Yield AT | US | BD | LUX | 01/07 | USD | 4.38 | 2.3 | 57.7 | 5.7 |
| Gl High Yield B | US | BD | LUX | 01/07 | USD | 4.42 | 2.1 | 55.6 | 4.4 |
| Gl High Yield B2 | US | BD | LUX | 01/07 | USD | 15.20 | 2.2 | 56.1 | 4.6 |
| Gl High Yield B2 | OT | OT | NA | 01/07 | HKD | 117.88 | 2.2 | 56.1 | 4.6 |
| Gl High Yield BT | OT | OT | NA | 01/07 | HKD | 34.51 | 2.1 | 56.1 | 4.5 |
| Gl High Yield BT | US | BD | LUX | 01/07 | USD | 4.45 | 2.1 | 56.1 | 4.5 |
| Gl High Yield C | US | BD | LUX | 01/07 | USD | 4.42 | 2.1 | 56.7 | 5.1 |
| Gl High Yield C2 | US | BD | LUX | 01/07 | USD | 14.02 | 2.2 | 57.0 | 5.2 |
| Gl High Yield I | US | BD | LUX | 01/07 | USD | 4.42 | 2.1 | 58.7 | 6.4 |
| Gl Thematic Res. A | OT | OT | LUX | 01/07 | USD | 15.20 | 3.2 | 69.3 | 1.0 |
| Gl Thematic Res. B | OT | OT | LUX | 01/07 | USD | 13.29 | 3.1 | 67.6 | 0.0 |
| Gl Thematic Res. I | OT | OT | LUX | 01/07 | USD | 16.95 | 3.2 | 70.7 | 1.8 |
| Gl Value A | GL | EQ | LUX | 01/07 | USD | 11.42 | 2.5 | 32.6 | -17.7 |
| Gl Value B | GL | EQ | LUX | 01/07 | USD | 10.49 | 2.4 | 31.3 | -18.5 |
| Gl Value C | GL | EQ | LUX | 01/07 | USD | 11.10 | 2.5 | 32.1 | -18.0 |
| Gl Value I | GL | EQ | LUX | 01/07 | USD | 12.15 | 2.5 | 33.8 | -17.0 |
| Greater China A | AS | EQ | LUX | 01/07 | USD | 41.29 | 3.1 | 60.5 | -14.2 |
| Greater China B | AS | EQ | LUX | 01/07 | USD | 36.53 | 3.1 | 58.9 | -15.1 |
| Greater China C | AS | EQ | LUX | 01/07 | USD | 40.77 | 3.2 | 59.8 | -14.6 |
| India Growth A | OT | OT | LUX | 01/07 | USD | 130.86 | 3.1 | NS | NS |
| India Growth AX | OT | OT | LUX | 01/07 | USD | 114.39 | 3.1 | 90.0 | -10.2 |
| India Growth B | OT | OT | LUX | 01/07 | USD | 137.06 | 3.1 | NS | NS |
| India Growth BX | OT | OT | LUX | 01/07 | USD | 97.76 | 3.1 | 88.1 | -11.1 |
| India Growth I | EA | EQ | LUX | 01/07 | USD | 118.56 | 3.1 | 90.8 | -9.9 |
| Int'l Health Care A | OT | EQ | LUX | 01/07 | USD | 138.36 | 0.6 | 19.9 | -8.5 |
| Int'l Health Care B | OT | EQ | LUX | 01/07 | USD | 116.68 | 0.6 | 18.7 | -9.5 |
| Int'l Health Care C | OT | EQ | LUX | 01/07 | USD | 132.59 | 0.6 | 19.4 | -9.0 |
| Int'l Health Care I | OT | EQ | LUX | 01/07 | USD | 151.20 | 0.7 | 20.9 | -7.8 |
| Int'l Technology A | OT | EQ | LUX | 01/07 | USD | 111.04 | 0.6 | 47.5 | -7.9 |
| Int'l Technology B | OT | EQ | LUX | 01/07 | USD | 96.20 | 0.6 | 46.1 | -8.8 |
| Int'l Technology C | OT | EQ | LUX | 01/07 | USD | 107.30 | 0.6 | 46.9 | -8.3 |
| Int'l Technology I | OT | EQ | LUX | 01/07 | USD | 124.52 | 0.6 | 48.7 | -7.1 |
| Japan Eq Blend A | JP | EQ | LUX | 01/07 | JPY | 6168.00 | 2.4 | 14.0 | -19.2 |
| Japan Eq Blend B | JP | EQ | LUX | 01/07 | JPY | 5951.00 | 2.4 | 12.9 | -20.0 |
| Japan Eq Blend C | JP | EQ | LUX | 01/07 | JPY | 6069.00 | 2.4 | 13.5 | -19.6 |
| Japan Growth A | JP | EQ | LUX | 01/07 | JPY | 5950.00 | 1.3 | 8.6 | -20.4 |
| Japan Growth B | JP | EQ | LUX | 01/07 | JPY | 5741.00 | 1.3 | 7.5 | -21.2 |
| Japan Growth C | JP | EQ | LUX | 01/07 | JPY | 5855.00 | 1.3 | 8.1 | -20.7 |
| Japan Strat Value A | JP | EQ | LUX | 01/07 | JPY | 6324.00 | 3.3 | 18.8 | -18.6 |
| Japan Strat Value B | JP | EQ | LUX | 01/07 | JPY | 6107.00 | 3.3 | 17.6 | -19.4 |
| Japan Strat Value C | JP | EQ | LUX | 01/07 | JPY | 6218.00 | 3.3 | 18.2 | -18.9 |
| Real Estate Sec. A | OT | EQ | LUX | 01/07 | USD | 14.52 | 1.2 | 35.2 | -12.4 |
| Real Estate Sec. B | OT | EQ | LUX | 01/07 | USD | 13.27 | 1.1 | 33.9 | -13.3 |
| Real Estate Sec. I | OT | EQ | LUX | 01/07 | USD | 15.61 | 1.2 | 36.3 | -11.7 |
| Short Mat Dollar A | US | BD | LUX | 01/07 | USD | 7.32 | 0.7 | 11.8 | -5.6 |
| Short Mat Dollar A2 | US | BD | LUX | 01/07 | USD | 9.86 | 0.7 | 11.8 | -5.7 |
| Short Mat Dollar AT | US | BD | LUX | 01/07 | USD | 7.30 | 0.7 | 11.7 | -5.7 |
| Short Mat Dollar B | US | BD | LUX | 01/07 | USD | 7.32 | 0.7 | 11.4 | -6.0 |
| Short Mat Dollar B2 | US | BD | LUX | 01/07 | USD | 9.81 | 0.7 | 11.2 | -6.1 |
| Short Mat Dollar BT | OT | OT | LUX | 01/07 | USD | 7.32 | 0.7 | 10.7 | -6.4 |
| Short Mat Dollar C | US | BD | LUX | 01/07 | USD | 7.32 | 0.7 | 11.4 | -6.0 |
| Short Mat Dollar C2 | US | BD | LUX | 01/07 | USD | 13.87 | 0.7 | 11.3 | -6.1 |
| Short Mat Dollar I | US | BD | LUX | 01/07 | USD | 7.32 | 0.7 | 12.4 | -5.1 |

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| *Tel: +1 212 301 1800 Fax: +1 212 301 1810* | | | | | | | | | |
| Alexandra Convertible Bond Fund I, Ltd. (Class A) | OT | OT | VGB | 11/30 | USD | 1616.75 | 66.9 | 72.1 | NS |
| **CREDIT PACIFIC ASSET MANAGMENT** | | | | | | | | | |
| *www.creditpacific.com* | | | | | | | | | |
| CPS-Master Priv Fund | GL | OT | WSM | 01/04 | USD | 100.00 | 0.0 | 21.5 | 20.8 |
| **PLATINUM CAPITAL MANAGEMENT** | | | | | | | | | |
| *Tel: +44 207 024 9840, www.platinumfunds.net* | | | | | | | | | |
| Platinm-All Star | OT | OT | CYM | 10/30 | USD | 95.07 | 13.2 | 5.7 | -13.4 |
| Platinm-All Weather | OT | OT | USA | 10/31 | USD | 129.92 | 2.4 | 3.2 | 3.8 |
| Platinm-Dynasty | OT | OT | USA | 10/30 | USD | 108.45 | 5.5 | 2.5 | -34.0 |
| Platinm-Emancipation | OT | OT | USA | 10/30 | USD | 93.58 | 25.0 | 9.3 | -11.3 |
| Platinm-Equity Plus | OT | OT | USA | 05/29 | USD | 35.02 | -18.2 | -63.7 | -45.6 |
| Platinm-Gbl Dividend | OT | OT | CYM | 10/30 | USD | 60.64 | 29.4 | 15.3 | -31.8 |
| Platinm-Nordic | OT | OT | CYM | 10/30 | SEK | 607.79 | 11.4 | 9.7 | -18.3 |
| Platinm-Premier | OT | OT | CYM | 12/31 | USD | 21.20 | -55.9 | -66.0 | -44.3 |
| Platinm-Turnberry | OT | OT | USA | 10/30 | USD | 56.60 | NS | NS | -38.7 |
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| **Closed for New Investments* | | | | | | | | | |
| Superfund Cayman* | OT | OT | CYM | 01/05 | USD | 45.49 | 8.4 | -45.4 | -2.5 |
| Superfund GCT USD* | GL | EQ | LUX | 01/05 | USD | 2391.00 | 7.7 | -34.5 | -0.7 |
| Superfund Green Gold A (SPC) | OT | OT | CYM | 01/05 | USD | 1038.69 | 6.7 | -10.7 | 8.7 |
| Superfund Green Gold B (SPC) | OT | OT | CYM | 01/05 | USD | 1027.10 | 9.1 | -23.8 | 4.7 |
| Superfund Q-AG* | OT | OT | AUT | 01/05 | EUR | 6977.00 | 5.3 | -20.4 | 3.8 |
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| Winton Evolution EUR Cls H | OT | OT | CYM | 12/31 | EUR | 945.08 | NS | NS | NS |
| Winton Evolution GBP Cls G | OT | OT | CYM | 12/31 | GBP | 949.08 | NS | NS | NS |
| Winton Evolution USD Cls F | OT | OT | CYM | 12/31 | USD | 1199.12 | -5.4 | -5.4 | 2.0 |
| Winton Futures EUR Cls C | OT | OT | VGB | 12/31 | EUR | 196.82 | -4.4 | -4.4 | 7.7 |
| Winton Futures GBP Cls D | OT | OT | VGB | 12/31 | GBP | 212.85 | -4.1 | -4.1 | 8.7 |
| Winton Futures JPY Cls E | OT | OT | VGB | 12/31 | JPY | 14027.73 | -5.0 | -5.0 | 5.6 |
| Winton Futures USD Cls B | OT | OT | VGB | 12/31 | USD | 699.38 | -4.6 | -4.6 | 7.4 |

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

MARKETS

# Vietnam hopes to entice risk-seeking investors

By Ditas Lopez

Vietnam's economic news hardly inspires confidence: gaping current-account and fiscal deficits, rising inflation, and threats of downgrades from ratings firms.

But those factors mean fatter yields on a planned global bond, which is likely to attract investors looking to take on more risk.

**BOND MARKETS**

Vietnam plans a $1 billion offering in the coming weeks, which could set a benchmark for local companies that are looking at international bond sales.

Rajeev de Mello, a fund manager at Western Asset Management, is interested, partly because a drop of about a full percentage point in yields generally since early last year has reduced the attractiveness of other bonds. "Now you have to go out of your comfort zones and look at more risky assets such as Vietnam," he said.

Last month Vietnam's government devalued the dong, which was under pressure from large budget and trade deficits and signs that consumer prices were picking up.

Capital Economics forecasts that Vietnam's inflation rate will accelerate to around 12% by the middle of this year, from 6.5% in December, prompting the central bank to raise interest rates. There's "a significant risk that the economy either crash-lands because policy is tightened too much, or suffers a repeat of its 2008 overheating crisis because policy is not tightened enough," it said in a report last week.

Vietnam hasn't sold an international bond since its maiden offering in October 2005, when it raised $750 million of 10-year paper. The government has been looking to return to the market since 2007, but unsettled markets and economic worries upset those plans.

Investors appear ready to bite, but they will make Vietnam pay. The country's existing bond, maturing in 2016, yields around 6.3%, but the new-issue premium for the new offering could be as much as 0.6 percentage point, one analyst said.

By comparison, the Philippines offered a 5.674% yield last week on its own 10-year global bond. According to one banker involved in the deal, that translates into new-issue premium of just 0.01 percentage point or 0.02 percentage point.

## Japanese markets

Yields on Japanese government debt rose again Friday as Japan's new finance chief failed to quell speculation that his appointment may lead to an increase in bond issuance. The benchmark 10-year yield firmed 0.02 percentage point to 1.36%.

The dollar's advance against the yen also dented demand for safe-haven assets. That set the stage for further JGB slides in the months ahead, some analysts said.

*—Andrew Monahan in Tokyo contributed to this article.*

# Florida freeze threatens orange crop

By Tom Sellen

Much of Florida's orange crop was spared damage early Sunday thanks to unexpected cloud cover that blanketed much of the citrus belt, but frozen fruit could be found in northern areas.

Growers were nervously watching Sunday night's forecast, which called for widespread freezing temperatures into Monday morning across Florida's main citrus-producing regions.

**COMMODITIES MARKETS**

One of the coldest weekends on record had Florida orange growers scrambling to prevent crop damage. Temperatures Sunday morning plunged below zero degrees Celsius across the citrus belt. Citrus sustains damage when the mercury falls below minus-2 degrees Celsius for three or more hours.

Growers continued to irrigate their groves to help lift crop temperatures and to provide an insulating layer of ice.

Futures prices for frozen concentrated orange juice have risen 17% this year on fears that freeze damage could be widespread.

Orange-juice prices at the supermarket haven't risen due to the cold snap, but they would be expected to climb if a widespread freeze affects the crop. About 95% of Florida's oranges are crushed into juice, while California grows the bulk of its oranges for the fresh-fruit market.

# U.S. to add TIPS issues, in nod to big creditors

By Min Zeng

The U.S. government is set to ramp up the sale of bonds that provide protection against inflation, in a bid to meet the demands of big creditors like China and Japan while keeping its funding costs low.

On Monday, the Treasury will kick-start this year's offerings of Treasury Inflation-Protected Securities by selling $10 billion in 10-year TIPS, the biggest offering since January 2005. With this auction, the total market value of TIPS will top $600 billion for the first time since the U.S. government started selling such debt in 1997, said Michael Pond, an interest-rate strategist in New York at Barclays Capital Inc.

**U.S. CREDIT MARKETS**

The Treasury is likely to sell $80 billion to $85 billion of TIPS in 2010, about 40% more than 2009's $58 billion, according to Mr. Pond, the top TIPS strategist in Institutional Investors magazine's 2008 and 2009 annual surveys.

The increased sales come as the economy recovers from the worst downturn since the 1930s. Fear of a persistent decline in consumer prices has given way to concerns about inflation, as the Federal Reserve remains committed to holding its main policy rate close to zero.

As a result, demand for TIPS has been robust even as inflation data have shown contained price pressures. Rises in consumer prices excluding food and energy could fall below 1% on the year in coming months, from 1.7% in November.

TIPS have handed investors a return of 12.8% over the past 12 months through Thursday, compared with a loss of 2.2% in nominal Treasurys, according to data from Barclays.

TIPS, which account for less than 10% of the $7 trillion Treasury market, offer investors a way to hedge against inflation as their value rises along with the increase in consumer prices. The fixed returns on nominal Treasurys, in contrast, are eroded over time by inflation, which affects long-dated maturities in particular.

Kenneth Volpert, who co-manages $27.9 billion in the Vanguard Inflation-Protected Securities Fund at Vanguard Group—the world's largest TIPS fund by assets—expects foreign central banks to show an "increasing interest" in TIPS given their concerns that the U.S.'s large budget deficits and the Fed's ultra-easy monetary policy will lead to inflation. That would hurt their large holdings of nominal Treasurys.

The U.S., for its part, needs foreign investors, who own more than half of outstanding Treasurys, to buy its debt. Without steady demand at Treasury auctions, borrowing costs would likely rise for the U.S. government, as well as consumers and companies.

The 10-year nominal Treasury yield is the benchmark for mortgage rates and a variety of fixed-rate borrowings. The 10-year yield was at 3.808% Friday.


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|---|---|---|---|---|---|---|---|---|---|
| Concentra AE | EU | EQ | DEU | 01/08 | EUR | 52.95 | 1.5 | 34.6 | -10.1 |
| Industria AE | EU | EQ | DEU | 01/08 | EUR | 73.30 | 2.5 | 30.9 | -15.1 |
| InternRent AE | EU | BD | DEU | 01/08 | EUR | 35.25 | 0.1 | 1.9 | 9.0 |

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|---|---|---|---|---|---|---|---|---|---|
| CAM-GTF Limited | AS | EQ | MUS | 12/31 | USD | 274508.01 | 103.5 | 103.5 | 2.6 |

GAM

■ GAM FUND MANAGEMENT LIMITED

*George's Court, 54-62 Townsend Street, Dublin 2, Ireland*

*Tel +3531 609 3927 Fax +3531 611 7941, Internet: www.gam.com*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| GAM Arbitrage Op | OT | OT | VGB | 12/31 | USD | 1243.27 | 22.7 | 22.7 | -8.8 |
| GAM Asia Eq Hdg JPY Op | GL | EQ | VGB | 01/04 | JPY | 15780.46 | 1.6 | 68.3 | 2.6 |
| GAM Asia Equity Hedge US | OT | OT | VGB | 01/04 | USD | 294.09 | 1.3 | 68.5 | 4.0 |
| GAM Asia Equity USD | OT | OT | VGB | 01/07 | USD | 665.01 | 1.7 | 62.0 | -11.3 |
| GAM Asia-Pacific Eq USD | OT | OT | VGB | 01/05 | USD | 1311.62 | 2.2 | 22.5 | -14.8 |
| GAM Com Glb Bal EUR Op | US | BA | VGB | 12/31 | EUR | 94.49 | 15.2 | 15.2 | -9.0 |
| GAM Com Glb Bal USD Op | US | BA | VGB | 12/31 | USD | 127.78 | 15.2 | 15.2 | -9.0 |
| GAM Comp Glb Eq EUR Op | GL | EQ | VGB | 12/31 | EUR | 97.11 | 22.1 | 22.1 | -15.7 |
| GAM Comp Glb Eq USD Op | GL | EQ | VGB | 12/31 | USD | 127.52 | 22.1 | 22.1 | -15.7 |
| GAM Comp Glb Gr EUR Op | US | BA | VGB | 12/31 | EUR | 85.62 | 15.6 | 15.6 | -13.0 |
| GAM Comp Glb Gr USD Op | US | BA | VGB | 12/31 | USD | 127.07 | 15.6 | 15.6 | -13.0 |
| GAM CompAbsRT EUR Op | OT | OT | VGB | 09/30 | EUR | 141.71 | 9.1 | 0.1 | -6.9 |
| GAM CompAbsRT SGD Op | OT | OT | VGB | 09/30 | SGD | 102.21 | 9.2 | -0.1 | -8.3 |
| GAM CompAbsRT USD Op | OT | OT | VGB | 09/30 | USD | 845.66 | 9.5 | 0.7 | -7.0 |
| GAM Cptal Apprec Eq Inc | US | EQ | VGB | 01/04 | USD | 252.47 | 1.5 | 34.9 | -9.2 |
| GAM Cross Trading Inc | OT | OT | VGB | 12/31 | USD | 465.88 | 6.5 | 6.5 | 6.1 |
| GAM Diversity CHF Op | OT | OT | VGB | 12/31 | CHF | 94.31 | 4.2 | 4.2 | -7.0 |
| GAM Diversity EUR Op | OT | OT | VGB | 12/31 | EUR | 649.49 | 5.2 | 5.2 | -5.4 |
| GAM Diversity USD 2.5XL | OT | OT | VGB | 12/31 | USD | 78.56 | 8.9 | 8.9 | -19.6 |
| GAM Diversity USD Op | OT | OT | VGB | 12/31 | USD | 681.95 | 5.2 | 5.2 | -5.9 |
| GAM Dvrsty II CHF Op | OT | OT | VGB | 12/31 | CHF | 99.50 | 4.0 | 4.0 | -6.6 |
| GAM Dvrsty II EUR Op | OT | OT | VGB | 12/31 | EUR | 138.77 | 4.6 | 4.6 | -5.5 |
| GAM Dvrsty II USD Op | OT | OT | VGB | 12/31 | USD | 210.17 | 4.6 | 4.6 | -5.8 |
| GAM DvrstyIII EUR Op | OT | OT | VGB | 12/31 | EUR | 115.55 | 4.5 | 4.5 | -5.6 |
| GAM DvrstyIII USD Op | OT | OT | VGB | 12/31 | USD | 121.98 | 4.6 | 4.6 | -5.8 |
| GAM Euro Eq Hdg EUR Op | EU | EQ | VGB | 01/04 | EUR | 220.59 | 0.8 | 11.8 | -4.2 |
| GAM Euro Eq Hdg USD Op | OT | OT | VGB | 01/04 | USD | 204.97 | 0.8 | 12.5 | -2.6 |
| GAM European Equity USD | OT | OT | VGB | 01/06 | USD | 298.95 | 2.0 | 25.3 | -12.3 |
| GAM GAMCO | OT | EQ | VGB | 01/05 | USD | 827.18 | 2.0 | 42.5 | -9.8 |
| GAM Gb EmMkts Hdg EUROp | OT | OT | VGB | 01/04 | EUR | 98.32 | 0.5 | 14.0 | -16.6 |
| GAM Gb EmMkts Hdg USDOp | OT | OT | VGB | 01/04 | USD | 103.67 | 0.5 | 14.5 | -15.9 |
| GAM Gbl Divers USD Inc. | GL | EQ | VGB | 01/04 | USD | 254.02 | 1.7 | 25.0 | -7.4 |
| GAM Grtr China Eq Hdg Op | GL | EQ | VGB | 01/04 | USD | 289.88 | 1.1 | 103.0 | 22.0 |
| GAM Intrst Trend II | GL | BD | VGB | 12/31 | USD | 94.13 | 42.5 | 42.5 | -9.1 |
| GAM Intrst Trend Inc | OT | OT | VGB | 12/31 | USD | 251.51 | 57.9 | 57.9 | -7.1 |
| GAM Japan Eq Hdg EUR Op | AS | EQ | VGB | 01/04 | EUR | 117.58 | 0.7 | 10.1 | -7.4 |
| GAM Japan Eq Hdg USD Op | OT | OT | VGB | 01/04 | USD | 122.92 | 0.7 | 9.3 | -19.2 |
| GAM Japan Eq Hdg YEN Open | AS | EQ | VGB | 01/04 | JPY | 8465.78 | 0.7 | 9.7 | -18.3 |
| GAM Japan USD | JP | EQ | VGB | 01/07 | USD | 1142.95 | 3.6 | 6.3 | -13.4 |
| GAM Japan YEN | JP | EQ | VGB | 01/07 | JPY | 9167.21 | 3.9 | 8.4 | -19.2 |
| GAM Money Mkt EuroOp | EU | MM | VGB | 01/06 | EUR | 51.13 | 0.0 | 0.1 | 1.6 |
| GAM Money Mkt USD | US | MM | VGB | 01/06 | USD | 99.95 | 0.1 | -0.1 | 0.8 |
| GAM Multi-Arb EUR Op | OT | OT | VGB | 12/31 | EUR | 111.21 | -0.8 | -0.8 | -9.3 |
| GAM Multi-Arb USD Op | OT | OT | VGB | 12/31 | USD | 116.16 | -0.5 | -0.5 | -9.6 |
| GAM Multi-China EUR Op | OT | OT | VGB | 12/31 | EUR | 167.97 | 13.1 | 13.1 | -8.5 |
| GAM Multi-China USD Op | OT | OT | VGB | 12/31 | USD | 176.59 | 13.7 | 13.7 | -9.2 |
| GAM Multi-Emer Mkts GBP | OT | OT | VGB | 12/31 | GBP | 131.51 | 25.7 | 25.7 | -2.4 |
| GAM Multi-Emer Mkts USD | OT | OT | VGB | 12/31 | USD | 650.94 | 25.6 | 25.6 | -2.7 |
| GAM Multi-Eur EUR Op | OT | OT | VGB | 12/31 | EUR | 268.84 | 7.1 | 7.1 | -9.9 |
| GAM Multi-Eur II EUR Op | OT | OT | VGB | 12/31 | EUR | 138.33 | 7.1 | 7.1 | -9.9 |
| GAM Multi-Eur II USD Op | OT | OT | VGB | 12/31 | USD | 113.08 | 6.6 | 6.6 | -10.8 |
| GAM Multi-Eur USD Op | OT | OT | VGB | 12/31 | USD | 467.71 | 6.7 | 6.7 | -10.7 |
| GAM Multi-Nth Am EUR Special | OT | OT | VGB | 12/31 | EUR | 134.00 | 12.4 | 12.4 | -3.9 |
| GAM Multi-Nth Am USD Special | OT | OT | VGB | 12/31 | USD | 218.14 | 12.7 | 12.7 | -4.0 |
| GAM Multi-Pac EUR Op | GL | EQ | VGB | 12/31 | EUR | 143.40 | 5.2 | 5.2 | -4.4 |
| GAM Multi-Pac USD Op | OT | OT | VGB | 12/31 | USD | 165.42 | 5.2 | 5.2 | -4.8 |
| GAM Portable Dvr/S&P500 | OT | OT | VGB | 08/24 | USD | 70.11 | 17.7 | -27.7 | -22.9 |
| GAM Selection Hdg | US | EQ | VGB | 12/31 | USD | 2637.90 | 69.5 | 69.5 | 8.9 |
| GAM Sing/Malaysia | AS | EQ | VGB | 01/07 | USD | 2585.61 | 2.4 | 55.6 | -9.5 |
| GAM Sterling Spe Bd Inc | OT | OT | VGB | 01/04 | GBP | 244.61 | 0.4 | 41.6 | 2.4 |
| GAM Trading EUR Inc | OT | OT | VGB | 12/31 | EUR | 325.15 | 6.4 | 6.4 | 6.7 |
| GAM Trading USD Inc | OT | OT | VGB | 12/31 | USD | 975.21 | 6.8 | 6.8 | 6.3 |
| GAM Trdg II IncEUR Op | OT | OT | VGB | 12/31 | EUR | 139.06 | 6.2 | 6.2 | 6.6 |
| GAM Trdg II IncUSD Op | OT | OT | VGB | 12/31 | USD | 316.65 | 6.8 | 6.8 | 6.3 |
| GAM Trdg IV IncEUR Op | OT | OT | VGB | 12/31 | EUR | 146.76 | 6.0 | 6.0 | 6.4 |
| GAM Trdg IV IncUSD Op | OT | OT | VGB | 12/31 | USD | 154.52 | 6.3 | 6.3 | 6.1 |
| GAM Trdg V IncEUR Op | OT | OT | VGB | 12/31 | EUR | 124.45 | 6.1 | 6.1 | 6.2 |
| GAM Trdg V IncUSD Op | OT | OT | VGB | 12/31 | USD | 129.60 | 6.2 | 6.2 | 6.0 |
| GAM TrdgIII IncEUR Op | OT | OT | VGB | 12/31 | EUR | 157.01 | 6.2 | 6.2 | 6.4 |
| GAM TrdgIII IncUSD Op | OT | OT | VGB | 12/31 | USD | 162.51 | 6.3 | 6.3 | 6.1 |
| GAM USDSpecBondInc | US | BD | VGB | 01/04 | USD | 533.53 | 0.7 | 75.5 | 6.4 |
| GAM Worldwide | GL | EQ | VGB | 01/06 | USD | 2278.60 | 2.4 | 25.0 | -8.3 |
| GAMut Investments | OT | OT | VGB | 12/31 | USD | 7580.87 | 4.4 | 4.4 | 7.7 |

■ GAM Star Fund Plc

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| GAMStar-AsEqCHF Ord Ac | AS | EQ | IRL | 01/06 | CHF | 11.28 | 2.2 | 47.7 | -14.5 |
| GAMStar-AsEqEUR Ord Ac | AS | EQ | IRL | 01/06 | EUR | 12.20 | 2.4 | 53.1 | -9.4 |
| GAMStar-AsEqGBP Ord Ac | AS | EQ | IRL | 01/06 | GBP | 1.63 | 4.0 | 52.0 | -0.6 |
| GAMStar-AsEqUSD Ord Ac | AS | EQ | IRL | 01/06 | USD | 13.81 | 2.9 | 63.6 | -10.3 |
| GAMStar-AsPacEqEUR Acc | AS | EQ | IRL | 01/06 | EUR | 104.29 | 3.1 | 18.3 | -11.7 |
| GAMStar-AsPacEqEUR Inc | AS | EQ | IRL | 01/06 | EUR | 100.93 | 3.1 | 18.3 | -11.6 |
| GAMStar-ContEurEqEUR Ac | EU | EQ | IRL | 01/06 | EUR | 11.20 | 1.9 | 21.4 | -9.0 |
| GAMStar-EurpEqEUR Acc | EU | EQ | IRL | 01/06 | EUR | 185.80 | 1.5 | 19.7 | -11.5 |
| GAMStar-EurpEqEUR Inc | EU | EQ | IRL | 01/06 | EUR | 169.78 | 1.5 | 19.7 | -11.5 |
| GAMStar-EurpEqUSD Acc | EU | EQ | IRL | 01/06 | USD | 16.31 | 2.0 | 27.6 | -12.2 |
| GAMStar-EurpEqUSD Inc | EU | EQ | IRL | 01/06 | USD | 14.79 | 2.0 | 27.6 | -12.2 |
| GAMStar-FrontierOppUSD Acc | GL | EQ | IRL | 01/06 | USD | 5.58 | 1.7 | 18.5 | NS |
| GAMStar-JpnEq EUR Acc | JP | EQ | IRL | 01/06 | EUR | 91.04 | 3.5 | 7.7 | -10.9 |
| GAMStar-JpnEq EUR Inc | JP | EQ | IRL | 01/06 | EUR | 91.04 | 3.5 | 7.7 | -10.9 |
| GAMStar-JpnEq JPY Acc | JP | EQ | IRL | 01/06 | JPY | 951.74 | 3.3 | 9.8 | -19.8 |
| GAMStar-JpnEq USD Acc | JP | EQ | IRL | 01/06 | USD | 11.53 | 3.7 | 8.4 | -14.4 |
| GAMStar-World EqUSD Acc | GL | EQ | IRL | 01/06 | USD | 2291.32 | 2.4 | 26.0 | -7.8 |

Manulife Wealth Management 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| American Growth | US | EQ | LUX | 01/08 | USD | 15.49 | 1.4 | 22.4 | -10.4 |
| American Growth AA | US | EQ | LUX | 01/08 | USD | 0.89 | 1.4 | 22.0 | -5.6 |
| Asian Equity | AS | EQ | LUX | 01/08 | USD | 2.50 | 1.9 | 62.5 | -7.8 |
| Asian Equity AA | AS | EQ | LUX | 01/08 | USD | 0.81 | 1.9 | 61.9 | -8.1 |
| Asian Sm Cap Equity AA | AS | EQ | LUX | 01/08 | USD | 1.19 | 2.4 | 90.1 | -5.1 |
| China Value A | AS | EQ | LUX | 01/08 | USD | 7.24 | 1.6 | 64.1 | -5.9 |
| China Value AA | AS | EQ | LUX | 01/08 | USD | 2.28 | 1.6 | 63.7 | -6.2 |
| Dragon Growth | AS | EQ | LUX | 01/08 | USD | 1.69 | 3.0 | 66.8 | -8.1 |
| Dragon Growth AA | OT | OT | LUX | 01/08 | HKD | 8.22 | 3.1 | 66.3 | -9.2 |
| Emg Eastrn Europe A | EU | EQ | LUX | 01/08 | USD | 4.87 | 4.4 | 86.4 | -17.0 |
| Emg Eastrn Europe AA | EU | EQ | LUX | 01/08 | USD | 2.10 | 4.4 | 86.1 | -17.1 |
| European Growth | EU | EQ | LUX | 01/08 | USD | 9.36 | 0.9 | 37.1 | -16.5 |
| European Growth AA | EU | EQ | LUX | 01/08 | USD | 0.67 | 0.9 | 36.8 | -16.7 |
| Global Contrarain AA | GL | EQ | LUX | 01/08 | USD | 0.93 | 4.5 | 73.2 | NS |
| Global Property AA | OT | EQ | LUX | 01/08 | USD | 0.69 | 0.7 | 39.6 | -11.3 |
| Global Resources AA | OT | EQ | LUX | 01/08 | USD | 1.14 | 5.4 | 48.8 | -10.4 |
| Healthcare AA | OT | EQ | LUX | 01/08 | USD | 0.94 | -0.6 | 12.3 | NS |
| India Equity AA | EA | EQ | LUX | 01/08 | USD | 1.13 | 3.0 | 86.3 | -19.5 |
| International Growth | GL | EQ | LUX | 01/08 | USD | 3.12 | 1.4 | 20.3 | -13.7 |
| International Growth AA | GL | EQ | LUX | 01/08 | USD | 0.72 | 1.4 | 20.0 | -13.9 |
| Japanese Growth | JP | EQ | LUX | 01/08 | USD | 2.82 | 1.6 | 6.6 | -11.5 |
| Japanese Growth AA | JP | EQ | LUX | 01/08 | USD | 0.74 | 1.6 | 6.3 | -11.7 |
| Latin America Equity AA | GL | EQ | LUX | 01/08 | USD | 1.33 | 3.6 | 87.5 | -1.0 |
| Manulife GF Strategic Income Fund AA | OT | OT | NA | 01/08 | USD | 1.01 | 1.1 | NS | NS |
| MGF Asia Value Dividend Equity Fund | OT | OT | Lux | 01/08 | USD | 1.16 | 1.6 | NS | NS |
| Russia Equity AA | EE | EQ | LUX | 01/08 | USD | 0.68 | 9.5 | 118.9 | -20.8 |
| Taiwan Equity AA | AS | EQ | LUX | 01/08 | USD | 1.09 | 0.4 | 78.0 | 5.7 |
| Turkey Equity AA | EE | EQ | LUX | 01/08 | USD | 0.82 | 4.3 | 102.8 | -10.1 |
| U.S. Bond AA | US | BD | LUX | 01/08 | USD | 1.12 | 0.7 | 17.9 | 7.2 |
| U.S. Sm Cap Equity AA | US | EQ | LUX | 01/08 | USD | 0.85 | 2.7 | 53.9 | -10.4 |
| U.S. Special Opportunities | OT | OT | LUX | 01/08 | USD | 0.85 | 3.7 | 74.4 | 3.5 |
| U.S. Tsy Inf-ProtSec AA | OT | BD | LUX | 01/08 | USD | 1.14 | 0.2 | 10.6 | 2.5 |

■ PT CIPTADANA ASSET MANAGEMENT

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|---|---|---|---|---|---|---|---|---|---|
| Indonesian Grth Fund | EA | EQ | CYM | 12/31 | USD | 127.35 | 120.7 | 120.7 | -3.1 |

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED

*www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Asia Value Formula Fd-B | AS | EQ | CYM | 01/07 | USD | 8.18 | 2.0 | 78.2 | -4.7 |

■ SG ASSET MANAGEMENT (HK) LTD

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*A company of Amundi Group*

*www.sgam.com*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Bonds Eur Hi Yld A | OT | OT | LUX | 01/06 | EUR | 21.07 | 2.4 | 56.4 | -0.1 |
| Bonds EURO A | OT | OT | LUX | 01/06 | EUR | 41.12 | 0.2 | 5.1 | 4.9 |
| Bonds EUROPE A | OT | OT | LUX | 01/07 | EUR | 39.12 | 0.0 | 3.8 | 4.1 |
| Bonds US OppsCoreplus A | OT | OT | LUX | 01/06 | USD | 36.89 | 0.0 | 15.8 | 7.9 |
| Bonds World A | OT | OT | LUX | 01/06 | USD | 42.12 | 0.3 | 9.6 | 5.2 |
| Eq. AsiaPac Dual Strategies A | OT | OT | LUX | 01/07 | USD | 10.65 | 2.2 | 61.2 | -10.9 |
| Eq. China A | AS | EQ | LUX | 01/07 | USD | 24.49 | 1.5 | 59.0 | -13.0 |
| Eq. Concentrated Euroland A | OT | OT | LUX | 01/07 | EUR | 94.47 | 1.6 | 20.1 | -17.8 |
| Eq. ConcentratedEuropeA | EU | EQ | LUX | 01/07 | EUR | 27.56 | 2.0 | 27.8 | -15.5 |
| Eq. Emerging Europe A | OT | OT | LUX | 01/07 | EUR | 24.66 | 4.7 | 68.9 | -24.2 |
| Eq. Euroland A | EU | EQ | LUX | 01/07 | EUR | 11.01 | 1.7 | 16.4 | -18.8 |
| Eq. Euroland Small Cap A | OT | OT | LUX | 01/07 | EUR | 148.05 | 4.9 | 44.1 | -8.1 |
| Eq. EurolandCyclclsA | EU | EQ | LUX | 01/07 | EUR | 18.15 | 2.0 | 27.0 | -13.2 |
| Eq. EurolandFinancialA | OT | EQ | LUX | 01/06 | EUR | 11.68 | 3.2 | 31.4 | -19.4 |
| Eq. Glbl Emg Cty A | GL | EQ | LUX | 01/07 | USD | 9.94 | 2.7 | 60.4 | -13.1 |
| Eq. Global A | GL | EQ | LUX | 01/07 | USD | 28.41 | 2.0 | 32.9 | -12.4 |
| Eq. Global Energy A | OT | EQ | LUX | 01/07 | USD | 18.78 | 3.6 | 25.2 | -12.8 |
| Eq. Global Resources A | OT | OT | LUX | 01/07 | USD | 115.19 | 5.5 | 61.8 | -8.2 |
| Eq. Gold Mines A | OT | OT | LUX | 01/07 | USD | 32.21 | 6.3 | 67.3 | 1.6 |
| Eq. India A | OT | OT | LUX | 01/07 | USD | 134.92 | 3.2 | 85.9 | -19.4 |
| Eq. Japan CoreAlpha A | OT | OT | LUX | 01/07 | JPY | 7545.22 | 4.0 | 15.3 | -9.5 |
| Eq. Latin America A | OT | OT | LUX | 01/06 | USD | 120.80 | 3.9 | 75.6 | -7.4 |
| Eq. US Lg Cap Gr A | US | EQ | LUX | 01/07 | USD | 15.68 | 2.8 | 40.3 | -10.2 |
| Eq. US Rel Val A | US | EQ | LUX | 01/07 | USD | 21.26 | 3.2 | 35.3 | -11.8 |
| Eq. US Sm Cap Val A | US | EQ | LUX | 01/07 | USD | 16.55 | 3.8 | 26.7 | -16.1 |
| Money Market EURO A | EU | MM | LUX | 01/07 | EUR | 27.40 | 0.0 | 1.0 | 2.6 |
| Money Market USD A | US | MM | LUX | 01/07 | USD | 15.83 | 0.0 | 0.5 | 1.6 |

المستثمر الوطني The National Investor

■ THE NATIONAL INVESTOR

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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| TNI Mena Real Estate Fund | OT | OT | BMU | 12/24 | USD | 966.38 | 2.8 | -1.4 | -26.9 |
| TNI MENA Special Sits Fund | OT | OT | BMU | 11/30 | USD | 1070.31 | 10.2 | 10.3 | NS |
| TNI UAE Blue Chip Fund | OT | OT | ARE | 12/31 | AED | 5.33 | 16.2 | 16.2 | -32.4 |

Value Partners
*Investing through discipline*

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487

**formerly known as China ABH Shares Fund*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Intel-Chin MainInd Foc | AS | EQ | CYM | 12/31 | USD | 29.84 | 86.0 | 86.0 | 1.4 |
| Intel-China Converg* | AS | EQ | CYM | 12/31 | USD | 114.03 | 87.1 | 87.1 | 1.3 |
| VP Classic - A | AS | EQ | CYM | 01/07 | USD | 190.41 | 2.1 | 81.9 | -1.5 |
| VP CLassic - B | AS | EQ | CYM | 01/07 | USD | 88.74 | 2.1 | 81.1 | -2.0 |
| VP High Dividend Stk | AS | EQ | CYM | 01/04 | USD | 46.09 | 1.5 | 85.5 | -0.7 |

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■ YMR-N Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| YMR-N Growth Fund | OT | OT | IRL | 01/08 | JPY | 9573.00 | 0.7 | 11.7 | -22.2 |
| YMR-N Small Cap Fund | OT | OT | IRL | 01/08 | JPY | 6935.00 | -1.0 | 10.6 | -22.6 |

■ Yuki 77 Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki 77 General | JP | EQ | IRL | 01/08 | JPY | 6257.00 | 1.7 | 6.1 | -24.1 |
| Yuki 77 Growth | JP | EQ | IRL | 01/08 | JPY | 5684.00 | 0.7 | 2.3 | -29.7 |

■ Yuki Chugoku Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Chugoku Jpn Gen | JP | EQ | IRL | 01/08 | JPY | 6992.00 | 2.4 | 11.2 | -20.5 |
| Yuki Chugoku JpnLowP | JP | EQ | IRL | 01/08 | JPY | 7793.00 | 3.3 | -3.0 | -20.6 |

■ Yuki Hokuyo Japan Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Hokuyo Jpn Gen | JP | EQ | IRL | 01/08 | JPY | 4797.00 | 2.7 | 6.6 | -23.9 |
| Yuki Hokuyo Jpn Inc | JP | EQ | IRL | 01/08 | JPY | 5430.00 | 3.5 | 7.2 | -17.7 |
| Yuki Hokuyo Jpn Sm Cap | JP | EQ | IRL | 01/08 | JPY | 5043.00 | -1.2 | 11.4 | -20.8 |

■ Yuki Mizuho Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Mizuho Gen Jpn III | OT | OT | IRL | 01/08 | JPY | 4491.00 | 1.6 | 7.6 | -28.1 |
| Yuki Mizuho Jpn Dyn Gro | OT | OT | IRL | 01/08 | JPY | 4728.00 | 1.4 | 6.5 | -28.2 |
| Yuki Mizuho Jpn Exc 100 | OT | OT | IRL | 01/08 | JPY | 7087.00 | 1.7 | 16.8 | -22.5 |
| Yuki Mizuho Jpn Gen | OT | OT | IRL | 01/08 | JPY | 8794.00 | 2.1 | 11.4 | -22.0 |
| Yuki Mizuho Jpn Gro | OT | OT | IRL | 01/08 | JPY | 6452.00 | 1.5 | 7.1 | -25.4 |
| Yuki Mizuho Jpn Inc | OT | OT | IRL | 01/08 | JPY | 7836.00 | 2.6 | 0.2 | -20.8 |
| Yuki Mizuho Jpn Lg Cap | OT | OT | IRL | 01/08 | JPY | 5339.00 | 2.9 | 9.0 | -22.3 |
| Yuki Mizuho Jpn LowP | OT | OT | IRL | 01/08 | JPY | 11844.00 | 2.4 | 9.6 | -17.0 |
| Yuki Mizuho Jpn PGth | OT | OT | IRL | 01/08 | JPY | 8007.00 | 0.6 | 8.5 | -28.0 |
| Yuki Mizuho Jpn SmCp | OT | OT | IRL | 01/08 | JPY | 7032.00 | -1.5 | 17.7 | -22.5 |
| Yuki Mizuho Jpn Val Sel | OT | OT | IRL | 01/08 | JPY | 5797.00 | 2.6 | 13.1 | -19.3 |
| Yuki Mizuho Jpn YoungCo | OT | OT | IRL | 01/08 | JPY | 2692.00 | -1.2 | 12.4 | -30.1 |

■ Yuki Shizuoka Japan Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Shizuoka General Japan | JP | EQ | IRL | 01/08 | JPY | 5542.00 | 2.2 | 10.8 | -21.2 |

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

# BLUE CHIPS & BONDS

# Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

## Giants around the world

In U.S.-dollar terms.

### Dow Jones Country Titans

| | INDEX PERFORMANCE | | |
|---|---|---|---|
| | Previous session | Year-to-date | 52-week |
| Russia | 0.30% | 4.2% | 115.1% |
| Japan | 1.08 | 3.9 | 10.7 |
| Turkey | -0.54 | 3.1 | 100.7 |
| Switzerland | 1.00 | 2.9 | 23.9 |
| Sweden | 0.78 | 2.8 | 48.0 |
| France | 0.51 | 2.7 | 23.3 |
| Brazil | 0.97 | 2.6 | 95.6 |
| Netherlands | 0.46 | 2.5 | 33.8 |
| Italy | 0.36 | 2.3 | 20.8 |
| Spain | 0.24 | 2.3 | 16.9 |
| U.K. | 0.13 | 2.2 | 24.2 |
| Hong Kong | unch. | 2.0 | 51.5 |
| Canada | 0.53 | 1.3 | 28.6 |
| Germany | 0.27 | 1.3 | 20.1 |
| South Africa | 0.72 | 1.2 | 21.6 |
| Singapore | 0.22 | 0.5 | 62.0 |
| Australia | 0.34 | 0.5 | 30.0 |
| South Korea | 0.52 | -0.4% | 44.5 |
| China 88 | 0.12 | -3.2 | 70.0 |

### Dow Jones Regional Sector Titans

| | | | |
|---|---|---|---|
| Basic Res | 0.90% | 5.7% | 84.8% |
| Banks | 0.48 | 5.2 | 44.5 |
| EU Enlarged† | 1.10 | 4.4 | 35.3 |
| Nordic 30 | 0.40 | 3.1 | 33.5 |
| Asian 50 | 0.78 | 3.1 | 32.4 |
| Arab 50 | 0.19 | 2.1 | 11.5 |
| Tiger 50* | 0.27 | 1.9 | 62.0 |
| Euro Stoxx 50 | 0.35 | 1.8 | 21.4 |
| Stoxx 50 | 0.44 | 1.7 | 21.8 |
| Global 50 | 0.27 | 1.5 | 24.0 |

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

## Dow Jones Asia Titans: Friday's best and worst...

| Company | Country | Industry | Market value, in billions of US$ | Previous close, in local currency | STOCK PERFORMANCE Previous session | 52-week | Three-year |
|---|---|---|---|---|---|---|---|
| **Honda Motor** | Japan | Automobiles | $62.7 | 3,185 | 3.07% | 53.1% | -30.9% |
| **East Japan Railway** | Japan | Travel Tourism | 25.8 | 6,060 | 2.89 | -8.2 | -27.6 |
| **Toyota Motor** | Japan | Automobiles | 134.3 | 3,960 | 2.86 | 29.0 | -49.4 |
| **Sony** | Japan | Consumer Electronics | 30.2 | 2,809 | 2.41 | 28.0 | -49.5 |
| **Nissan Motor** | Japan | Automobiles | 35.4 | 807.00 | 2.15 | 135.3 | -44.0 |
| **JFE Hldgs** | Japan | Iron Steel | $20.7 | 3,640 | -1.36% | 44.2 | -36.8 |
| **China Constr Bk** | Hong Kong | Banks | 189.2 | 6.53 | -1.21 | 66.6 | 38.4 |
| **Canon** | Japan | Electronic Office Equipment | 51.7 | 3,885 | -1.15 | 24.1 | -40.6 |
| **Nippon Steel** | Japan | Iron Steel | 25.5 | 376.00 | -1.05 | 22.9 | -40.4 |
| **Takeda Pharm** | Japan | Pharmaceuticals | 33.2 | 3,900 | -0.76 | -12.8 | -50.9 |

## ...And the rest of Asia's blue chips

| Company/Country (Industry) | Market value, in billions (U.S) | Latest, in local currency | STOCK PERFORMANCE Latest | 52-week | Three-year |
|---|---|---|---|---|---|
| **Shinhan Financial Grp** South Korea (Banks) | 18.7 | 44,450 | 1.95% | 51.3% | -4.3% |
| **Panasonic** Japan (Consumer Electronics) | 30.6 | 1,372 | 1.93 | 14.0 | -42.5 |
| **Mizuho Financial Grp** Japan (Banks) | 27.3 | 180.00 | 1.69 | -34.6 | -79.8 |
| **China Mobile (HK)** Hong Kong (Mobile Telecommunications) | 190.8 | 74.45 | 1.64 | -1.1 | 12.9 |
| **Mitsui** Japan (Industrial Suppliers) | 27.6 | 1,415 | 1.36 | 43.1 | -16.4 |
| **Commonwlth Bk of Aus** Australia (Banks) | 78.5 | 56.16 | 1.30 | 95.0 | 13.7 |
| **KDDI** Japan (Mobile Telecommunications) | 24.2 | 508,000 | 1.20 | -9.8 | -37.1 |
| **QBE Ins Grp** Australia (Reinsurance) | 23.3 | 24.77 | 1.10 | -5.5 | -17.4 |
| **Samsung Elec** South Korea (Semiconductors) | 107.1 | 821,000 | 0.98 | 66.5 | 36.2 |
| **Sun Hung Kai Prop** Hong Kong (Real Estate Holding Development) | 38.8 | 117.40 | 0.95 | 67.7 | 25.2 |
| **Woolworths** Australia (Food Retailers Wholesalers) | 31.8 | 28.09 | 0.86 | 7.1 | 21.3 |
| **PetroChina** Hong Kong (Integrated Oil Gas) | 27.4 | 10.08 | 0.80 | 43.6 | 3.2 |
| **Nippon T&T** Japan (Fixed Line Telecommunications) | 54.1 | 3,795 | 0.66 | -20.6 | -38.0 |
| **Tokyo Elec Power** Japan (Conventional Electricity) | 35.5 | 2,440 | 0.66 | -11.6 | -37.1 |
| **Aus NZ Bk** Australia (Banks) | 51.2 | 22.25 | 0.59 | 46.4 | -20.9 |
| **Shin-Etsu Chml** Japan (Specialty Chemicals) | 24.4 | 5,330 | 0.57 | 25.7 | -31.9 |
| **Westfield Grp** Australia (Retail REITs) | 27.0 | 12.71 | 0.55 | -8.0 | -39.1 |
| **NTT DoCoMo** Japan (Mobile Telecommunications) | 59.8 | 132,900 | 0.53 | -17.5 | -31.1 |
| **Kansai Elec Power** Japan (Conventional Electricity) | 21.9 | 2,131 | 0.47 | -8.9 | -33.8 |
| **Mitsubishi UFJ Finl** Japan (Banks) | 71.6 | 478.00 | 0.42 | -14.8 | -68.3 |

| Company/Country (Industry) | Market value, in billions (U.S) | Latest, in local currency | STOCK PERFORMANCE Latest | 52-week | Three-year |
|---|---|---|---|---|---|
| **Westpac Bking** Australia (Banks) | 67.3 | 25.15 | 0.40% | 52.4% | 3.7% |
| **Hon Hai Precision Ind** Taiwan (Electrical Components Equipment) | 40.3 | 150.50 | 0.33 | 173.9 | 0.1 |
| **CNOOC** Hong Kong (Exploration Production) | 75.1 | 13.04 | 0.31 | 75.0 | 94.1 |
| **Cheung Kong** Hong Kong (Real Estate Holding Development) | 30.5 | 102.10 | 0.29 | 33.6 | 2.6 |
| **Nintendo** Japan (Toys) | 35.2 | 25,580 | 0.24 | -25.0 | -18.4 |
| **KB Fncl Group** South Korea (Banks) | 19.7 | 57,900 | 0.17 | 60.9 | -18.4 |
| **Mitsubishi** Japan (Industrial Suppliers) | 43.0 | 2,430 | 0.12 | 81.1 | 13.0 |
| **RioZim Ltd** Australia (General Mining) | 44.1 | 79.01 | 0.01 | 127.9 | 36.2 |
| **Hutchison Whampoa** Hong Kong (Diversified Industrials) | 31.0 | 56.35 | ... | 33.4 | -28.6 |
| **POSCO** South Korea (Iron Steel) | 40.7 | 606,000 | ... | 53.4 | 101.3 |
| **Seven I Hldgs** Japan (Broadline Retailers) | 19.3 | 1,983 | -0.10 | -27.8 | -47.3 |
| **Indl Comm Bk China** Hong Kong (Banks) | 68.1 | 6.36 | -0.16 | 74.3 | 37.7 |
| **Taiwan Smcndtr Mfg** Taiwan (Semiconductors) | 52.0 | 64.00 | -0.31 | 56.9 | -6.0 |
| **National Australia Bk** Australia (Banks) | 51.9 | 26.90 | -0.33 | 28.1 | -33.4 |
| **Tokio Marine Hldgs** Japan (Property Casualty Insurance) | 23.0 | 2,712 | -0.33 | 12.5 | -40.5 |
| **BHP Billiton** Australia (General Mining) | 134.6 | 43.62 | -0.34 | 37.6 | 73.8 |
| **China Life Ins** Hong Kong (Life Insurance) | 36.8 | 38.35 | -0.39 | 62.5 | 59.5 |
| **Woodside Petroleum** Australia (Exploration Production) | 32.1 | 48.70 | -0.41 | 35.4 | 36.0 |
| **Japan Tobacco** Japan (Tobacco) | 32.6 | 315,000 | -0.63 | 3.3 | -46.0 |
| **Sumitomo Mitsui Finl** Japan (Banks) | 31.5 | 2,900 | -0.68 | -27.7 | -76.4 |

Sources: Dow Jones Indexes; WSJ Market Data Group

# Tracking credit markets & dealmakers

**— NOTICE TO READERS —**
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## Hedge funds

| Dow Jones Hedge Benchmark | TOTAL RETURN for rolling periods, net of fees* One week | One month | One quarter | Year to date | One year |
|---|---|---|---|---|---|
| **Merger Arbitrage** | -0.10% | 0.47% | 1.5% | -0.1% | 7.4% |
| **Event Driven** | 0.89 | 1.59 | 3.6 | 0.9 | 16.1 |
| **Equity Long/Short** | 1.66 | 3.26 | 2.6 | 1.7 | 7.1 |

*Estimates as of 01/07/10, after fees; Source: www.djhedgefundindexes.com

## Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

### Markit iTraxx Indexes

| Index: series/version | Mid-spread, in pct. pts. | Mid-price | Coupon | SPREAD RANGE, in pct. pts. since most recent roll Maximum | Minimum | Average |
|---|---|---|---|---|---|---|
| **Europe:** 12/1 | 0.66 | 101.58% | 0.01% | 1.00 | 0.66 | 0.84 |
| **Eur. High Volatility:** 12/1 | 0.93 | 100.31 | 0.01 | 1.76 | 0.93 | 1.35 |
| **Europe Crossover:** 12/1 | 3.95 | 104.27 | 0.05 | 6.15 | 3.91 | 5.14 |
| **Asia ex-Japan IG:** 12/1 | 0.89 | 100.51 | 0.01 | 1.29 | 0.89 | 1.07 |
| **Japan:** 12/1 | 1.22 | 98.94 | 0.01 | 1.68 | 0.99 | 1.33 |

Note: Data as of January 7

### Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

*In percentage points*

Source: Markit Group

## Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

### Showing the biggest improvement...

| | Yesterday | CHANGE, in basis points Yesterday | Five-day | 28-day |
|---|---|---|---|---|
| **Sanyo Shinpan Fin** | 702 | -41 | -120 | -271 |
| **Nishimatsu Constr** | 519 | -30 | -33 | -9 |
| **Taisei** | 356 | -12 | -11 | -33 |
| **Elpida Memory** | 637 | -11 | -19 | -2 |
| **Marubeni** | 196 | -11 | -10 | -10 |
| **All Nippon Awys** | 310 | -9 | -5 | -30 |
| **Orix** | 242 | -9 | -33 | -118 |
| **Sun Hung Kai Pptys** | 64 | -8 | -15 | -16 |
| **Bk of China** | 100 | -7 | -14 | -11 |
| **Acom** | 229 | -7 | -26 | -151 |

### And the most deterioration

| | Yesterday | CHANGE, in basis points Yesterday | Five-day | 28-day |
|---|---|---|---|---|
| **Bridgestone** | 45 | ... | 1 | -4 |
| **East Japan Rwy** | 21 | 1 | ... | -4 |
| **PCCW HKT Tel** | 85 | 1 | -8 | -11 |
| **Hysan Dev** | 53 | 1 | 9 | -12 |
| **Sumitomo Metal Inds** | 72 | 1 | -1 | -4 |
| **Hong Kong Spl Admin Region** | 46 | 2 | -4 | -4 |
| **Tokyo Elec Pwr** | 33 | 2 | ... | -2 |
| **Casio Computer** | 50 | 2 | 1 | -6 |
| **Tenaga Nasional** | 85 | 2 | -4 | -7 |
| **Cr Saison** | 307 | 6 | -58 | -77 |

Source: Markit Group

## Behind Asia's deals: Bank revenue rankings, Australia

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

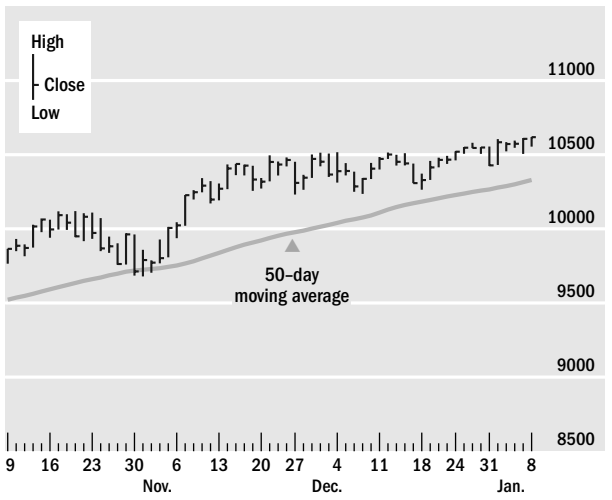
| | Revenue, in millions | Market share | PERCENTAGE OF TOTAL REVENUE Equity capital markets | Debt capital markets | Mergers & acquisitions | Loans |
|---|---|---|---|---|---|---|
| **UBS** | $301 | 14.4% | 81% | 9% | 10% | ... |
| **Macquarie Group** | 244 | 11.7 | 57 | 1 | 41 | ... |
| **Deutsche Bank** | 198 | 9.4 | 77 | 15 | 7 | ... |
| **Goldman Sachs** | 151 | 7.2 | 59 | 18 | 23 | ... |
| **JPMorgan** | 148 | 7.1 | 61 | 24 | 15 | ... |
| **Credit Suisse** | 140 | 6.7 | 78 | 7 | 15 | ... |
| **RBS** | 121 | 5.8 | 77 | 14 | 7 | 2% |
| **Citi** | 98 | 4.7 | 41 | 36 | 22 | ... |
| **Westpac** | 60 | 2.9 | 11 | 61 | ... | 27 |

Source: Dealogic

# SCANNING THE GLOBE

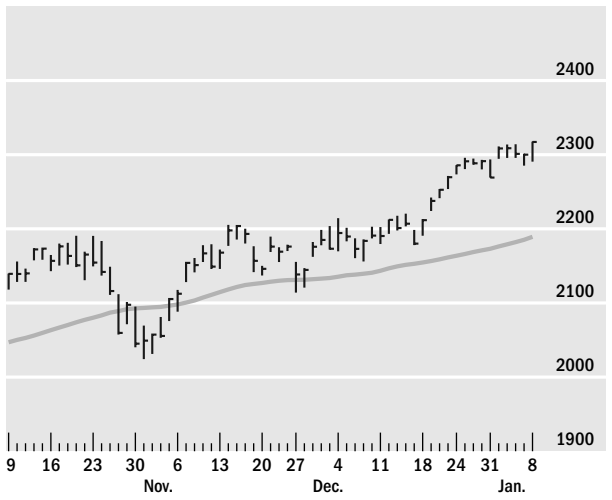
## Dow Jones Industrial Average P/E: 18

LAST: **10618.19** ▲ 11.33, or 0.11%
YEAR TO DATE: ▲ **190.14, or 1.8%**
OVER 52 WEEKS ▲ **2,019.01, or 23.5%**



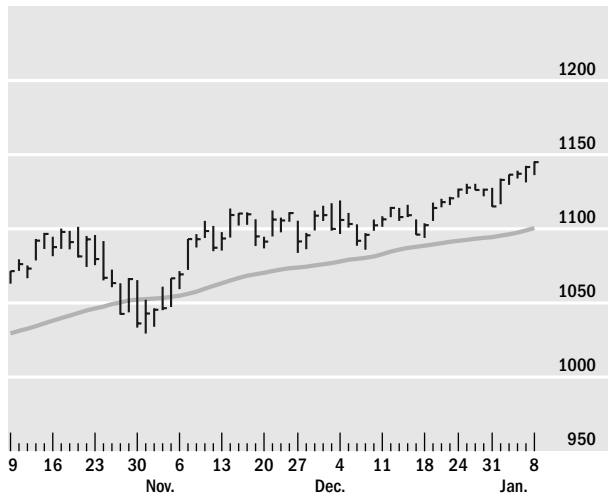

## Nasdaq Composite Index P/E: 48*

LAST: **2317.17** ▲ 17.12, or 0.74%
YEAR TO DATE: ▲ **48.02, or 2.1%**
OVER 52 WEEKS ▲ **745.58, or 47.4%**




## S&P 500 Index P/E: 76

LAST: **1144.98** ▲ 3.29, or 0.29%
YEAR TO DATE: ▲ **29.88, or 2.7%**
OVER 52 WEEKS ▲ **254.63, or 28.6%**




*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

## DJIA component stocks

| Stock | Symbol | Volume, in millions | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|
| **AT&T** | T | **26.30** | $27.10 | -0.20 | **-0.73%** |
| **Alcoa** | AA | **32.40** | 17.02 | 0.41 | **2.47** |
| **AmExpress** | AXP | **7.60** | 41.95 | -0.03 | **-0.07** |
| **BankAm** | BAC | **204.50** | 16.78 | -0.15 | **-0.89** |
| **Boeing** | BA | **7.00** | 61.60 | -0.60 | **-0.96** |
| **Caterpillar** | CAT | **6.30** | 60.34 | 0.67 | **1.12** |
| **Chevron** | CVX | **5.10** | 79.47 | 0.14 | **0.18** |
| **CiscoSys** | CSCO | **36.40** | 24.66 | 0.13 | **0.53** |
| **CocaCola** | KO | **13.10** | 55.15 | -1.04 | **-1.85** |
| **Disney** | DIS | **7.30** | 31.88 | 0.05 | **0.16** |
| **DuPont** | DD | **5.10** | 33.94 | -0.45 | **-1.31** |
| **ExxonMobil** | XOM | **22.50** | 69.52 | -0.28 | **-0.40** |
| **GenElec** | GE | **110.60** | 16.60 | 0.35 | **2.15** |
| **HewlettPk** | HPQ | **9.60** | 52.59 | 0.39 | **0.75** |
| **HomeDpt** | HD | **14.00** | 28.98 | -0.14 | **-0.48** |
| **Intel** | INTC | **45.00** | 20.83 | 0.23 | **1.12** |
| **IBM** | IBM | **3.90** | 130.85 | 1.30 | **1.00** |
| **JPMorgChas** | JPM | **31.90** | 44.68 | -0.11 | **-0.25** |
| **JohnsJohns** | JNJ | **7.80** | 64.21 | 0.22 | **0.34** |
| **KftFoods** | KFT | **10.70** | 28.93 | 0.03 | **0.10** |
| **McDonalds** | MCD | **5.50** | 61.84 | -0.06 | **-0.10** |
| **Merck** | MRK | **10.10** | 37.70 | -0.02 | **-0.05** |
| **Microsoft** | MSFT | **45.30** | 30.66 | 0.21 | **0.68** |
| **Pfizer** | PFE | **29.30** | 18.68 | 0.15 | **0.81** |
| **ProctGamb** | PG | **7.90** | 60.44 | -0.08 | **-0.13** |
| **3M** | MMM | **2.80** | 84.32 | 0.59 | **0.70** |
| **TravelersCos** | TRV | **3.80** | 48.56 | -0.07 | **-0.14** |
| **UnitedTech** | UTX | **4.40** | 70.63 | 0.14 | **0.20** |
| **Verizon** | VZ | **18.80** | 31.75 | 0.02 | **0.06** |
| **WalMart** | WMT | **10.80** | 53.33 | -0.27 | **-0.50** |

## U.S. stocks: most active...

| Stock | Symbol | Volume, in millions | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|
| **Citigroup** | C | **623.0** | $3.59 | –$0.06 | **–1.64%** |
| **BankAm** | BAC | **219.7** | 16.78 | –0.15 | **–0.89** |
| **FordMotor** | F | **130.1** | 11.69 | 0.03 | **0.26** |
| **SPDR S&P 500** | SPY | **126.2** | 114.57 | 0.38 | **0.33** |
| **GenElec** | GE | **115.0** | 16.60 | 0.35 | **2.15** |
| **SPDR FnclSelSct** | XLF | **90.8** | 15.22 | –0.09 | **–0.59** |
| **PwrShrs QQQ** | QQQQ | **88.9** | 46.55 | 0.38 | **0.82** |
| **CyclacelPharm** | CYCC | **78.7** | 2.96 | 0.29 | **10.74** |
| **Motorola** | MOT | **75.1** | 7.76 | –0.37 | **–4.55** |
| **Microsoft** | MSFT | **51.2** | 30.66 | 0.21 | **0.68** |
| **iShrRu2000** | IWM | **48.8** | 64.52 | 0.35 | **0.55** |
| **Intel** | INTC | **48.1** | 20.83 | 0.23 | **1.12** |
| **DrxFinancBear 3x** | FAZ | **41.5** | 16.81 | 0.19 | **1.14** |
| **ApldMatl** | AMAT | **41.2** | 14.55 | 0.54 | **3.87** |
| **iShrMSCIEmrgMkt** | EEM | **41.1** | 43.20 | 0.34 | **0.79** |

## Biggest gainers...

| | | | | | |
|---|---|---|---|---|---|
| **Htchsn Telcm** | HTX | **1,771.3** | $4.17 | $0.85 | **25.60%** |
| **MethodEl** | MEI | **495.2** | 11.32 | 2.27 | **25.08** |
| **Imunomed** | IMMU | **18,742.5** | 4.05 | 0.78 | **23.85** |
| **CasualMlRet** | CMRG | **923.0** | 2.80 | 0.51 | **22.27** |
| **GreenBksh** | GRNB | **52.6** | 4.83 | 0.76 | **18.67** |

## ...Biggest losers

| | | | | | |
|---|---|---|---|---|---|
| **SyntaPharm** | SNTA | **3,358.3** | $4.52 | -$0.94 | **-17.22%** |
| **Entorian** | ENTN | **11.5** | 4.69 | -0.60 | **-11.34** |
| **FredMac pfT** | FRET | **5.8** | 2.31 | -0.29 | **-11.15** |
| **RogersCp** | ROG | **684.8** | 26.31 | -3.03 | **-10.33** |
| **PatrickInd** | PATK | **14.9** | 2.58 | -0.27 | **-9.47** |

## ADRs of Asian companies*

| 52-WEEK High | 52-WEEK Low | Stock | Symbol | Volume, in OOOs | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|---|---|
| $11.69 | $6.36 | **Taiwan Semi** | TSM | **16,712.7** | $11.10 | -0.01 | **-0.09%** |
| 13.30 | 6.25 | **AU Optrncs** | AUO | **2,982.4** | 13.25 | 0.13 | **0.99** |
| 4.24 | 1.65 | **Utd Microelectronics** | UMC | **2,856.6** | 4.19 | -0.03 | **-0.71** |
| 15.95 | 8.56 | **China Unicom** | CHU | **2,718.9** | 13.04 | -0.29 | **-2.18** |
| 8.19 | 3.78 | **Siliconware Prec Ind** | SPIL | **2,346.0** | 7.57 | -0.02 | **-0.26** |
| 81.39 | 33.09 | **BHP Billiton** | BHP | **2,141.5** | 81.28 | 1.10 | **1.37** |
| 5.23 | 1.49 | **Adv Semi Engrg** | ASX | **1,879.1** | 4.98 | -0.09 | **-1.78** |
| 6.84 | 3.71 | **Mitsu UFJ Fnl** | MTU | **1,873.1** | 5.20 | 0.02 | **0.39** |
| 57.00 | 22.61 | **Infosys Tech** | INFY | **1,382.7** | 54.54 | 0.14 | **0.26** |
| 59.22 | 40.20 | **China Mobile** | CHL | **1,335.8** | 48.01 | 0.65 | **1.37** |
| 34.79 | 20.28 | **Honda Motor** | HMC | **1,018.7** | 34.34 | 0.77 | **2.29** |
| 18.64 | 12.59 | **SK Telecom** | SKM | **1,013.0** | 16.77 | -0.03 | **-0.18** |
| 25.65 | 5.11 | **Yanzhou Coal Mining** | YZC | **947.2** | 24.50 | -0.76 | **-3.01** |
| 32.79 | 9.91 | **Aluminum Cp of China** | ACH | **804.7** | 32.37 | 0.45 | **1.41** |
| 9.50 | 3.96 | **Nomura Hldgs** | NMR | **733.3** | 8.18 | 0.20 | **2.51** |
| 15.29 | 6.85 | **Korea Elec Pwr** | KEP | **570.9** | 14.95 | 0.09 | **0.61** |
| 81.00 | 37.43 | **China Life Ins** | LFC | **542.8** | 74.60 | 0.13 | **0.17** |
| 30.82 | 15.64 | **Sony** | SNE | **536.5** | 30.41 | 0.61 | **2.05** |
| 19.56 | 15.05 | **ChunghwaTel** | CHT | **528.9** | 18.40 | 0.03 | **0.16** |
| 26.67 | 17.71 | **NTT** | NTT | **454.1** | 20.53 | 0.22 | **1.08** |
| 16.60 | 10.60 | **Matsushita Elec** | PC | **447.7** | 14.95 | 0.33 | **2.26** |
| 150.50 | 47.09 | **POSCO** | PKX | **428.7** | 136.60 | 2.10 | **1.56** |
| 56.41 | 31.92 | **ChinaTele** | CHA | **359.9** | 44.55 | 1.15 | **2.65** |
| 87.67 | 56.79 | **Toyota Motor** | TM | **343.1** | 85.76 | 1.97 | **2.35** |
| 135.92 | 63.94 | **PetroChina** | PTR | **269.1** | 130.51 | 1.82 | **1.41** |
| 12.19 | 2.00 | **City Telecom** | CTEL | **256.8** | 11.65 | 0.05 | **0.43** |
| 43.95 | 21.23 | **Canon** | CAJ | **247.8** | 41.99 | -0.32 | **-0.76** |
| 9.82 | 5.43 | **Telecom Corp of NZ** | NZT | **243.6** | 9.46 | 0.16 | **1.72** |
| 7.28 | 2.00 | **Alumina** | AWC | **222.9** | 7.23 | 0.06 | **0.84** |
| 42.67 | 23.84 | **Hitachi** | HIT | **182.1** | 31.16 | 0.24 | **0.78** |

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

## Global government bonds

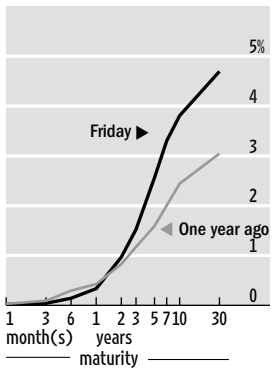
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

| Coupon | Country/ Maturity, in years | Yield | SPREAD OVER TREASURYS, in basis points Latest | Previous | Month ago | Year ago | YIELD Previous | Month ago | Year ago |
|---|---|---|---|---|---|---|---|---|---|
| 5.750% | **Australia** 2 | **4.495%** | **353.5** | 349.4 | 373.5 | **206.0** | **4.510%** | 4.459% | **2.899%** |
| 4.500 | 10 | **5.747** | **193.7** | 190.6 | 216.3 | **170.1** | **5.730** | 5.551 | **4.147** |
| 5.000 | **Austria** 2 | **1.741** | **78.1** | 68.0 | 22.4 | **95.5** | **1.696** | 0.948 | **1.794** |
| 3.900 | 10 | **3.824** | **1.4** | 0.8 | 13.2 | **157.1** | **3.832** | 3.520 | **4.017** |
| 3.500 | **Belgium** 2 | **1.021** | **6.1** | -0.9 | 33.1 | **105.4** | **1.007** | 1.055 | **1.893** |
| 4.000 | 10 | **3.678** | **-13.2** | -12.7 | 16.9 | **150.9** | **3.697** | 3.557 | **3.955** |
| 1.250 | **Canada** 2 | **1.309** | **34.9** | 37.1 | 48.0 | **30.8** | **1.387** | 1.204 | **1.147** |
| 3.750 | 10 | **3.598** | **-21.2** | -17.9 | -9.2 | **43.4** | **3.645** | 3.296 | **2.880** |
| 4.000 | **Denmark** 2 | **2.056** | **109.6** | 107.3 | 132.8 | **168.6** | **2.089** | 2.052 | **2.525** |
| 4.000 | 10 | **3.675** | **-13.5** | -15.1 | 11.1 | **103.4** | **3.673** | 3.499 | **3.480** |
| 1.500 | **France** 2 | **1.148** | **18.8** | 13.4 | 51.9 | **103.3** | **1.150** | 1.243 | **1.872** |
| 3.750 | 10 | **3.569** | **-24.1** | -23.9 | 3.5 | **114.3** | **3.585** | 3.423 | **3.589** |
| 1.250 | **Germany** 2 | **1.278** | **31.8** | 26.0 | 51.5 | **81.9** | **1.276** | 1.239 | **1.658** |
| 3.250 | 10 | **3.374** | **-43.6** | -45.1 | -23.7 | **72.1** | **3.373** | 3.151 | **3.167** |
| 0.550 | **Hong Kong** 2 | **0.596** | **-36.4** | -44.2 | -37.0 | **-25.0** | **0.574** | 0.354 | **0.589** |
| 2.160 | 10 | **3.090** | **-72.0** | -83.7 | -101.3 | **-96.9** | **2.987** | 2.375 | **1.477** |
| 3.750 | **Italy** 2 | **1.458** | **49.8** | 45.4 | 82.2 | **204.6** | **1.470** | 1.546 | **2.885** |
| 4.250 | 10 | **4.072** | **26.2** | 26.9 | 58.2 | **193.7** | **4.093** | 3.970 | **4.383** |
| 0.200 | **Japan** 2 | **0.175** | **-78.5** | -85.1 | -53.4 | **-44.7** | **0.165** | 0.190 | **0.392** |
| 1.300 | 10 | **1.369** | **-244.1** | -247.2 | -212.1 | **-114.2** | **1.352** | 1.267 | **1.304** |
| 4.000 | **Netherlands** 2 | **0.763** | **-19.7** | -23.5 | 14.4 | **85.6** | **0.781** | 0.868 | **1.695** |
| 4.000 | 10 | **3.516** | **-29.4** | -28.1 | 1.1 | **125.6** | **3.543** | 3.399 | **3.702** |
| 3.200 | **Portugal** 2 | **1.202** | **24.2** | 19.6 | 50.1 | **141.3** | **1.212** | 1.225 | **2.252** |
| 4.750 | 10 | **3.987** | **17.7** | 21.5 | 41.8 | **166.1** | **4.039** | 3.806 | **4.107** |
| 5.350 | **Spain** 2 | **1.434** | **47.4** | 47.4 | 63.2 | **111.7** | **1.490** | 1.356 | **1.956** |
| 4.300 | 10 | **3.951** | **14.1** | 17.6 | 36.0 | **151.0** | **4.000** | 3.748 | **3.956** |
| 2.750 | **Switzerland** 2 | **0.650** | **-31.0** | -36.4 | -31.7 | **-17.3** | **0.652** | 0.407 | **0.666** |
| 2.250 | 10 | **2.126** | **-168.4** | -171.9 | -145.5 | **-7.8** | **2.105** | 1.933 | **2.368** |
| 3.250 | **U.K.** 2 | **1.275** | **31.5** | 27.8 | 43.0 | **83.7** | **1.294** | 1.154 | **1.676** |
| 4.500 | 10 | **4.059** | **24.9** | 23.0 | 30.9 | **77.5** | **4.054** | 3.697 | **3.221** |
| 1.000 | **U.S.** 2 | **0.960** | **...** | ... | ... | **...** | **1.016** | 0.724 | **0.839** |
| 3.375 | 10 | **3.810** | **...** | ... | ... | **...** | **3.824** | 3.388 | **2.446** |

Source: Thomson Reuters

## U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.




| Ryan Index | Yield to maturity | Modified duration | TOTAL RETURN Month to-date | Quarter to-date | Year to-date | 12-month |
|---|---|---|---|---|---|---|
| **30-year Treasury** | **4.696%** | 16.10 | –0.89 % | –0.89 % | –0.89 % | –21.45 % |
| **10-year Treasury** | **3.808** | 8.23 | 0.30 | 0.30 | 0.30 | –7.66 |
| **7 Year Treasury** | **3.303** | 6.19 | 0.59 | 0.59 | 0.59 | ... |
| **Five-year Treasury** | **2.564** | 4.64 | 0.61 | 0.61 | 0.61 | 0.22 |
| **Ryan Index** | **2.810** | 6.66 | 0.25 | 0.25 | 0.25 | –4.74 |
| **3 Year Treasury** | **1.524** | 2.87 | 0.49 | 0.49 | 0.49 | 1.98 |
| **Two-year Treasury** | **0.968** | 1.95 | 0.37 | 0.37 | 0.37 | 1.79 |
| **1 Year Treasury** | **0.335** | 0.94 | 0.12 | 0.12 | 0.12 | 1.14 |
| **Six-month Treasury** | **0.142** | 0.50 | 0.03 | 0.03 | 0.03 | 0.65 |
| **Ryan Cash Index-a** | **0.135** | 0.44 | 0.04 | 0.04 | 0.04 | 0.58 |
| **Three-month bill** | **0.041** | 0.25 | 0.01 | 0.01 | 0.01 | 0.38 |
| **One-month bill** | **0.020** | 0.07 | ... | ... | ... | 0.14 |

a-Performance of a cash investment

Source: Ryan ALM

## Key money rates

| | Latest | 52 wks ago |
|---|---|---|
| **Prime rates** | | |
| U.S. | **3.25%** | 3.25% |
| Canada | **2.25** | 3.50 |
| Japan | **1.475** | 1.675 |
| Britain | **0.50** | 1.50 |
| ECB | **1.00** | 2.50 |
| Switzerland | **0.53** | 0.52 |
| Australia | **3.75** | 4.25 |
| Hong Kong | **5.25** | n.a. |
| **Libor** | | |
| One month | **0.23313%** | 0.36625% |
| Three month | **0.25125** | 1.26000 |
| Six month | **0.42000** | 1.60000 |
| One year | **0.95688** | 1.85500 |

| | Latest | 52 wks ago |
|---|---|---|
| **Euro Libor** | | |
| One month | **0.41063%** | 2.40188% |
| Three month | **0.64875** | 2.68875 |
| Six month | **0.96500** | 2.76813 |
| One year | **1.21625** | 2.84063 |
| **Hibor** | | |
| One month | **0.06964** | 0.15071% |
| Three month | **0.13000** | 0.84143 |
| Six month | **0.26000** | 1.18429 |
| One year | **0.62857** | 1.68286 |
| **Asian dollars** | | |
| One month | **0.2445%** | 0.37% |
| Three month | **0.2608** | 1.2960 |
| Six month | **0.4338** | 1.6420 |
| One year | **0.9550** | 1.8660 |

| | Offer | Bid |
|---|---|---|
| **Eurodollars** | | |
| One month | **0.3500%** | 0.2000% |
| Three month | **0.3800** | 0.2300 |
| Six month | **0.4700** | 0.3200 |
| One year | **0.7500** | 0.6000 |

| | Latest | 52 wks ago |
|---|---|---|
| **U.S. discount** | **0.50%** | 0.50% |
| **Fed-funds target** | **0.25** | 0.25 |
| **Call money** | **2.00** | 2.00 |
| **Overnight repurchase rates** | | |
| U.S. | **0.13%** | 0.10% |
| U.K. (BBA) | **0.503** | 1.353 |
| Euro zone | **0.30** | 2.07 |

Sources: WSJ Market Data Group; Reuters

# GLOBAL MARKETS LINEUP

## Commodities

Prices of futures contracts with the most open interest

**EXCHANGE LEGEND: CBOT:** Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

| | Commodity | Exchange | Last price | ONE-DAY CHANGE Net | ONE-DAY CHANGE Percentage | Contract high | Contract low |
|---|---|---|---|---|---|---|---|
| | **Corn** (cents/bu.) | CBOT | **423.00** | 5.50 | **1.32%** | 712.25 | 315.50 |
| | **Soybeans** (cents/bu.) | CBOT | **1022.00** | -4.00 | **-0.39%** | 1,560.00 | 805.00 |
| | **Wheat** (cents/bu.) | CBOT | **568.50** | 10.75 | **1.93** | 1,029.25 | 459.00 |
| | **Live cattle** (cents/lb.) | CME | **85.825** | -0.100 | **-0.12** | 108.600 | 81.900 |
| | **Cocoa** ($/ton) | ICE-US | **3,296** | -13 | **-0.39** | 3,510 | 1,994 |
| | **Coffee** (cents/lb.) | ICE-US | **145.35** | 3.45 | **2.43** | 188.65 | 115.00 |
| | **Sugar** (cents/lb.) | ICE-US | **27.53** | -0.47 | **-1.68** | 28.95 | 11.91 |
| | **Cotton** (cents/lb.) | ICE-US | **72.44** | -0.45 | **-0.62** | 84.00 | 49.67 |
| | **Crude palm oil** (ringgit/ton) | MDEX | **2,626.00** | -4 | **-0.15** | 3,580 | 1,487 |
| | **Cocoa** (pounds/ton) | LIFFE | **2,270** | -14 | **-0.61** | 2,337 | 1,310 |
| | **Robusta coffee** ($/ton) | LIFFE | **1,400** | 12 | **0.86** | 1,710 | 1,300 |
| | **Copper** (cents/lb.) | COMEX | **340.05** | -2.65 | **-0.77** | 365.00 | 135.50 |
| | **Gold** ($/troy oz.) | COMEX | **1138.90** | 5.20 | **0.46** | 1,227.50 | 762.30 |
| | **Silver** (cents/troy oz.) | COMEX | **1847.00** | 12.50 | **0.68** | 2,011.50 | 1,045.00 |
| | **Aluminum** ($/ton) | LME | **2,292.00** | -45.00 | **-1.93** | 2,337.00 | 1,288.00 |
| | **Tin** ($/ton) | LME | **17,450.00** | -280.00 | **-1.58** | 17,730.00 | 9,945.00 |
| | **Copper** ($/ton) | LME | **7,465.00** | -140.00 | **-1.84** | 7,615.00 | 3,085.00 |
| | **Lead** ($/ton) | LME | **2,540.00** | -75.00 | **-2.87** | 2,615.00 | 995.00 |
| | **Zinc** ($/ton) | LME | **2,550.00** | -109.00 | **-4.10** | 2,659.00 | 1,086.00 |
| | **Nickel** ($/ton) | LME | **18,130** | -670 | **-3.56** | 21,150 | 9,475 |
| | **Crude oil** ($/bbl.) | NYMEX | **82.75** | 0.09 | **0.11** | 117.00 | 47.60 |
| | **Heating oil** ($/gal.) | NYMEX | **2.2003** | 0.0167 | **0.76** | 3.5570 | 1.3816 |
| | **RBOB gasoline** ($/gal.) | NYMEX | **2.1553** | 0.0204 | **0.96** | 2.1540 | 1.2304 |
| | **Natural gas** ($/mmBtu) | NYMEX | **5.712** | -0.044 | **-0.76** | 12.590 | 4.550 |
| | **Brent crude** ($/bbl.) | ICE-EU | **81.94** | -0.03 | **-0.04** | 98.10 | 49.10 |
| | **Gas oil** ($/ton) | ICE-EU | **663.50** | -4.25 | **-0.64** | 875.00 | 450.50 |

Source: Thomson Reuters; WSJ Market Data Group

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## Currencies

London close on Jan. 8

| AMERICAS | Per euro | In euros | Per U.S. dollar | In U.S. dollars |
|---|---|---|---|---|
| **Argentina** peso-a | 5.4422 | 0.1838 | 3.7988 | 0.2632 |
| **Brazil** real | 2.4876 | 0.4020 | 1.7364 | 0.5759 |
| **Canada** dollar | 1.4816 | 0.6749 | 1.0342 | 0.9669 |
| 1-mo. forward | 1.4816 | 0.6749 | 1.0342 | 0.9669 |
| 3-mos. forward | 1.4816 | 0.6750 | 1.0342 | 0.9669 |
| 6-mos. forward | 1.4818 | 0.6749 | 1.0343 | 0.9668 |
| **Chile** peso | 707.63 | 0.001413 | 493.95 | 0.002025 |
| **Colombia** peso | 2821.94 | 0.0003544 | 1969.80 | 0.0005077 |
| **Ecuador** US dollar-f | 1.4326 | 0.6980 | 1 | 1 |
| **Mexico** peso-a | 18.2340 | 0.0548 | 12.7279 | 0.0786 |
| **Peru** sol | 4.0901 | 0.2445 | 2.8550 | 0.3503 |
| **Uruguay** peso-e | 28.007 | 0.0357 | 19.550 | 0.0512 |
| **U.S.** dollar | 1.4326 | 0.6980 | 1 | 1 |
| **Venezuela** bolivar | 3.08 | 0.325074 | 2.15 | 0.465701 |
| **ASIA-PACIFIC** | | | | |
| **Australia** dollar | 1.5580 | 0.6418 | 1.0875 | 0.9195 |
| **China** yuan | 9.7811 | 0.1022 | 6.8276 | 0.1465 |
| **Hong Kong** dollar | 11.1110 | 0.0900 | 7.7558 | 0.1289 |
| **India** rupee | 65.1690 | 0.0153 | 45.4900 | 0.0220 |
| **Indonesia** rupiah | 13201 | 0.0000758 | 9215 | 0.0001085 |
| **Japan** yen | 133.20 | 0.007508 | 92.98 | 0.010756 |
| 1-mo. forward | 133.17 | 0.007509 | 92.96 | 0.010758 |
| 3-mos. forward | 133.13 | 0.007511 | 92.93 | 0.010761 |
| 6-mos. forward | 133.04 | 0.007517 | 92.86 | 0.010768 |
| **Malaysia** ringgit-c | 4.8386 | 0.2067 | 3.3775 | 0.2961 |
| **New Zealand** dollar | 1.9556 | 0.5113 | 1.3651 | 0.7326 |
| **Pakistan** rupee | 121.556 | 0.0082 | 84.850 | 0.0118 |
| **Philippines** peso | 65.470 | 0.0153 | 45.700 | 0.0219 |
| **Singapore** dollar | 1.9997 | 0.5001 | 1.3959 | 0.7164 |
| **South Korea** won | 1616.33 | 0.0006187 | 1128.25 | 0.0008863 |
| **Taiwan** dollar | 45.657 | 0.02190 | 31.870 | 0.03138 |
| **Thailand** baht | 47.505 | 0.02105 | 33.160 | 0.03016 |

| EUROPE | Per euro | In euros | Per U.S. dollar | In U.S. dollars |
|---|---|---|---|---|
| **Euro zone** euro | 1 | 1 | 0.6980 | 1.4326 |
| 1-mo. forward | 1.0001 | 0.9999 | 0.6981 | 1.4325 |
| 3-mos. forward | 1.0002 | 0.9998 | 0.6982 | 1.4323 |
| 6-mos. forward | 1.0006 | 0.9994 | 0.6985 | 1.4317 |
| **Czech Rep.** koruna-b | 26.257 | 0.0381 | 18.328 | 0.0546 |
| **Denmark** krone | 7.4413 | 0.1344 | 5.1943 | 0.1925 |
| **Hungary** forint | 268.05 | 0.003731 | 187.11 | 0.005344 |
| **Norway** krone | 8.1674 | 0.1224 | 5.7011 | 0.1754 |
| **Poland** zloty | 4.0810 | 0.2450 | 2.8487 | 0.3510 |
| **Russia** ruble-d | 42.788 | 0.02337 | 29.868 | 0.03348 |
| **Sweden** krona | 10.2253 | 0.0978 | 7.1376 | 0.1401 |
| **Switzerland** franc | 1.4782 | 0.6765 | 1.0319 | 0.9691 |
| 1-mo. forward | 1.4779 | 0.6766 | 1.0317 | 0.9693 |
| 3-mos. forward | 1.4774 | 0.6768 | 1.0313 | 0.9697 |
| 6-mos. forward | 1.4764 | 0.6773 | 1.0305 | 0.9704 |
| **Turkey** lira | 2.1019 | 0.4758 | 1.4672 | 0.6816 |
| **U.K.** pound | 0.8973 | 1.1145 | 0.6263 | 1.5966 |
| 1-mo. forward | 0.8975 | 1.1142 | 0.6265 | 1.5963 |
| 3-mos. forward | 0.8978 | 1.1138 | 0.6267 | 1.5957 |
| 6-mos. forward | 0.8983 | 1.1132 | 0.6271 | 1.5947 |
| **MIDDLE EAST/AFRICA** | | | | |
| **Bahrain** dinar | 0.5401 | 1.8516 | 0.3770 | 2.6526 |
| **Egypt** pound-a | 7.8113 | 0.1280 | 5.4525 | 0.1834 |
| **Israel** shekel | 5.3221 | 0.1879 | 3.7150 | 0.2692 |
| **Jordan** dinar | 1.0139 | 0.9863 | 0.7078 | 1.4129 |
| **Kuwait** dinar | 0.4105 | 2.4360 | 0.2866 | 3.4898 |
| **Lebanon** pound | 2152.48 | 0.0004646 | 1502.50 | 0.0006656 |
| **Saudi Arabia** riyal | 5.3726 | 0.1861 | 3.7503 | 0.2666 |
| **South Africa** rand | 10.5618 | 0.0947 | 7.3725 | 0.1356 |
| **United Arab** dirham | 5.2620 | 0.1900 | 3.6731 | 0.2723 |
| **SDR** -f | 0.9181 | 1.0892 | 0.6409 | 1.5604 |

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

## Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

| Price-to-earnings ratio* | Region/Country | Index | PREVIOUS SESSION Close | Net change | Percentage change | PERFORMANCE Yr.-to-date | 52-wk. |
|---|---|---|---|---|---|---|---|
| 52 | **ASIA-PACIFIC** | **DJ Asia-Pacific** | 126.99 | 0.89 | **0.71%** | 3.2% | 35.5% |
| ... | Australia | **SPX/ASX 200** | 4912.13 | 12.73 | **0.26** | 0.9 | 31.5 |
| 29 | China | **CBN 600** | 28455.39 | 136.76 | **0.48** | -2.1 | 81.5 |
| 21 | Hong Kong | **Hang Seng** | 22296.75 | 27.30 | **0.12** | 1.9 | 55.1 |
| 20 | India | **Sensex** | 17540.29 | -75.43 | **-0.43%** | 0.4 | 86.5 |
| ... | Indonesia | **Jakarta Composite** | 2614.370 | 27.475 | **1.06** | 3.2 | 84.5 |
| ... | Japan | **Nikkei Stock Average** | 10798.32 | 116.66 | **1.09** | 2.4 | 22.2 |
| ... | | **Topix** | 941.29 | 9.44 | **1.01** | 3.7 | 10.1 |
| ... | Malaysia | **Kuala Lumpur Composite** | 1292.98 | 1.56 | **0.12** | 1.6 | 40.7 |
| ... | New Zealand | **NZSX-50** | 3310.226 | 25.415 | **0.77** | 2.5 | 20.0 |
| 9 | Pakistan | **KSE 100** | 9776.21 | 38.74 | **0.40** | 4.1 | 59.1 |
| 15 | Philippines | **Manila Composite** | 3077.18 | -0.60 | **-0.02** | 0.8 | 55.0 |
| ... | Singapore | **Straits Times** | 2922.76 | 9.51 | **0.33** | 0.9 | 61.8 |
| 11 | South Korea | **Kospi** | 1695.26 | 11.81 | **0.70** | 0.7 | 43.5 |
| 20 | Taiwan | **Weighted** | 8280.90 | 43.48 | **0.53** | 1.1 | 83.9 |
| 10 | Thailand | **SET** | 738.96 | 4.33 | **0.59** | 0.6 | 61.0 |
| 50 | **EUROPE** | **DJ Stoxx 600** | 259.15 | 1.11 | **0.43** | 2.4 | 24.7 |
| 22 | | **DJ Stoxx 50** | 2629.34 | 11.46 | **0.44** | 2.0 | 21.8 |
| 62 | **Euro Zone** | **DJ Euro Stoxx** | 281.41 | 1.00 | **0.36%** | 2.4% | 23.3% |
| 20 | | **DJ Euro Stoxx 50** | 3017.85 | 10.51 | **0.35** | 1.7 | 21.4 |
| 19 | Denmark | **OMX Copenhagen** | 330.81 | 1.69 | **0.51** | 4.8 | 32.2 |
| 21 | Finland | **OMX Helsinki** | 6690.24 | 21.15 | **0.32** | 3.6 | 18.8 |
| 20 | France | **CAC-40** | 4045.14 | 20.34 | **0.51** | 2.8 | 22.6 |
| 21 | Germany | **DAX** | 6037.61 | 18.25 | **0.30** | 1.3 | 26.2 |
| 16 | Italy | **FTSE MIB** | 23811.13 | 102.12 | **0.43** | 2.4 | 18.5 |
| ... | Netherlands | **AEX** | 341.94 | 1.39 | **0.41** | 2.0 | 28.5 |
| ... | Russia | **RTSI** | 1444.61 | | **Closed** | | 128.6 |
| 11 | Spain | **IBEX 35** | 12163.0 | -3.3 | **-0.03%** | 1.9 | 29.7 |
| 14 | Switzerland | **SMI** | 6617.88 | 62.52 | **0.95** | 1.1 | 16.2 |
| ... | Turkey | **ISE National 100** | 54797.90 | -175.04 | **-0.32** | 3.7 | 107.0 |
| 15 | U.K. | **FTSE 100** | 5534.24 | 7.52 | **0.14** | 2.2 | 24.4 |
| 22 | **AMERICAS** | **DJ Americas** | 305.13 | 0.96 | **0.32** | 2.9 | 35.5 |
| ... | Brazil | **Bovespa** | 70262.70 | -188.42 | **-0.27** | 2.4 | 69.0 |
| ... | Argentina | **Merval** | 2352.76 | -36.69 | **-1.54** | 1.4 | 99.5 |
| 21 | Mexico | **IPC** | 32892.04 | -172.53 | **-0.52** | 2.4 | 51.3 |

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 5:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

**Reuters Group PLC** is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

## Dow Jones and Dow Jones Stoxx Indexes

| Dividend yield* | Price-to-earnings ratio* | Dows Jones Index | Last | Net change | PERFORMANCE Daily | Year-to-date | 52-wk. | Three-yr., annualized |
|---|---|---|---|---|---|---|---|---|
| 2.09% | 22 | **DJ Global Index** | 233.09 | 1.01 | **1.01%** | 35.1% | 0.4% | -5.3% |
| | | **Global DOW** | 2033.27 | 9.26 | **9.26** | 32.2 | 0.5 | -1.3 |
| 2.28 | | **Asia/Pacific 600** | 118.54 | 1.06 | **1.06** | 23.7 | 0.9 | -6.6 |
| 1.67 | 16 | **Emerging Markets** | 287.87 | 0.59 | **0.59** | 80.1 | 0.2 | 5.5 |
| 2.07 | 52 | **Asia/Pacific** | 126.99 | 0.89 | **0.89** | 35.5 | 0.7 | -4.3 |
| 2.31 | 18 | **Asia/Pacific ex-Japan** | 324.36 | 0.98 | **0.98** | 74.2 | 0.3 | 2.5 |
| 2.47 | 24 | **Southeast Asia** | 164.39 | 0.82 | **0.82** | 81.9 | 0.5 | 3.5 |
| 0.83 | 29 | **CBN China 600** -c | 28455.39 | 136.77 | **136.77** | 81.5 | 0.5 | 20.3 |
| 0.86 | 32 | **Shanghai** | 380.63 | 1.99 | **1.99** | 81.0 | 0.5 | 20.4 |
| 0.58 | 46 | **Shenzhen** | 411.13 | 2.98 | **2.98** | 104.2 | 0.7 | 27.4 |
| 2.14 | 20 | **China Offshore 50** | 4165.65 | -8.12 | **-8.12** | 59.4 | -0.2 | 7.7 |
| 7.31 | 10 | **Australia LPT** -c, d | 1179.56 | 3.01 | **3.01** | 3.0 | 0.3 | -20.4 |
| 2.02% | 16 | **Islamic Market** | 2026.04 | 9.24 | **9.24%** | 36.7% | 0.5% | -0.3% |
| 2.32 | 16 | **Islamic Market 100** | 2157.80 | 8.11 | **8.11** | 24.3 | 0.4 | -1.6 |
| 9.63 | 15 | **Bahrain** | 121.02 | 0.33 | **0.33** | -19.2 | 0.3 | -13.7 |
| 2.89 | 36 | **Kuwait** | 195.14 | 0.43 | **0.43** | -4.5 | 0.2 | -16.6 |
| 2.52 | 21 | **Sustainability** | 1033.17 | 4.89 | **4.89** | 32.6 | 0.5 | -6.4 |
| 2.72 | 50 | **Stoxx 600** | 277.26 | 1.16 | **1.16** | 32.2 | 0.4 | -7.9 |
| 4.74 | 17 | **Stoxx Select Div 30** | 1865.07 | 17.34 | **17.34** | 33.8 | 0.9 | -19.8 |
| 3.98 | 23 | **Euro Stoxx Sel Div 30** | 2209.77 | 13.47 | **13.47** | 37.5 | 0.6 | -15.3 |
| 1.69 | 32 | **DJ U.S. TSM** | 11820.98 | 38.41 | **38.41** | 31.6 | 0.3 | -5.9 |
| 4.16 | 15 | **U.S. Select Dividend -d** | 658.50 | 0.57 | **0.57** | 17.5 | 0.1 | -9.5 |
| 4.72 | | **U.S. REIT** | 145.45 | -1.14 | **-1.14** | 31.6 | -0.8 | -17.7 |
| | | **DJ-UBS Commodity -p** | 142.41 | -0.43 | **-0.43** | 20.4 | -0.3 | -3.2 |

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

## Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

| U.S. | US$ | A$ | £ | C$ | YUAN | EURO | HK$ | RUPEE | RUPIAH | YEN | NZ$ | WON | RINGGIT | PH. PESO | S$ | S FRANC | TW$ | BAHT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1.088 | 0.626 | 1.034 | 6.828 | 0.698 | 7.756 | 45.490 | 9214.89 | 92.975 | 1.365 | 1128.25 | 3.378 | 45.700 | 1.396 | 1.032 | 31.870 | 33.160 |
| **Australia** | 0.920 | | 0.576 | 0.951 | 6.278 | 0.642 | 7.131 | 41.828 | 8473.09 | 85.491 | 1.255 | 1037.42 | 3.106 | 42.021 | 1.283 | 0.949 | 29.304 | 30.491 |
| **Britain** | 1.597 | 1.736 | | 1.651 | 10.901 | 1.114 | 12.383 | 72.629 | 14712.50 | 148.444 | 2.180 | 1801.36 | 5.393 | 72.965 | 2.229 | 1.647 | 50.884 | 52.943 |
| **Canada** | 0.967 | 1.052 | 0.606 | | 6.602 | 0.675 | 7.499 | 43.986 | 8910.16 | 89.900 | 1.320 | 1090.94 | 3.266 | 44.189 | 1.350 | 0.998 | 30.816 | 32.063 |
| **China** | 0.1465 | 0.159 | 0.092 | 0.151 | | 0.102 | 1.136 | 6.663 | 1349.66 | 13.618 | 0.200 | 165.25 | 0.495 | 6.693 | 0.204 | 0.151 | 4.668 | 4.857 |
| **Euro** | 1.433 | 1.558 | 0.897 | 1.482 | 9.781 | | 11.111 | 65.169 | 13201.25 | 133.196 | 1.956 | 1616.33 | 4.839 | 65.470 | 2.000 | 1.478 | 45.657 | 47.505 |
| **Hong Kong** | 0.129 | 0.140 | 0.081 | 0.133 | 0.880 | 0.090 | | 5.865 | 1188.13 | 11.988 | 0.176 | 145.47 | 0.435 | 5.892 | 0.180 | 0.133 | 4.109 | 4.276 |
| **India** | 0.0220 | 0.0239 | 0.0138 | 0.0227 | 0.1501 | 0.0153 | 0.1705 | | 202.57 | 2.0439 | 0.0300 | 24.80 | 0.0742 | 1.0046 | 0.0307 | 0.0227 | 0.7006 | 0.7290 |
| **Indonesia** | 0.0001 | 0.0001 | 0.0001 | 0.0001 | 0.0007 | 0.0001 | 0.0008 | 0.0049 | | 0.0101 | 0.0001 | 0.12 | 0.0004 | 0.0050 | 0.0002 | 0.0001 | 0.0035 | 0.0036 |
| **Japan** | 0.011 | 0.012 | 0.007 | 0.011 | 0.073 | 0.008 | 0.083 | 0.489 | 99.11 | | 0.015 | 12.13 | 0.036 | 0.492 | 0.015 | 0.011 | 0.343 | 0.357 |
| **New Zealand** | 0.733 | 0.797 | 0.459 | 0.758 | 5.002 | 0.511 | 5.682 | 33.324 | 6750.37 | 68.109 | | 826.50 | 2.474 | 33.478 | 1.023 | 0.756 | 23.346 | 24.291 |
| **South Korea** | 0.0009 | 0.0010 | 0.0006 | 0.0009 | 0.0061 | 0.0006 | 0.0069 | 0.0403 | 8.17 | 0.0824 | 0.0012 | | 0.0030 | 0.0405 | 0.0012 | 0.0009 | 0.0282 | 0.0294 |
| **Malaysia** | 0.296 | 0.322 | 0.185 | 0.306 | 2.021 | 0.207 | 2.296 | 13.469 | 2728.32 | 27.528 | 0.404 | 334.05 | | 13.531 | 0.413 | 0.306 | 9.436 | 9.818 |
| **Philippines** | 0.022 | 0.024 | 0.014 | 0.023 | 0.149 | 0.015 | 0.170 | 0.995 | 201.64 | 2.034 | 0.030 | 24.69 | 0.074 | | 0.031 | 0.023 | 0.697 | 0.726 |
| **Singapore** | 0.716 | 0.779 | 0.449 | 0.741 | 4.891 | 0.500 | 5.556 | 32.589 | 6601.63 | 66.608 | 0.978 | 808.29 | 2.420 | 32.740 | | 0.739 | 22.832 | 23.756 |
| **Switzerland** | 0.969 | 1.054 | 0.607 | 1.002 | 6.617 | 0.676 | 7.516 | 44.086 | 8930.46 | 90.105 | 1.323 | 1093.42 | 3.273 | 44.289 | 1.353 | | 30.886 | 32.136 |
| **Taiwan** | 0.031 | 0.034 | 0.020 | 0.032 | 0.214 | 0.022 | 0.243 | 1.427 | 289.14 | 2.917 | 0.043 | 35.40 | 0.106 | 1.434 | 0.044 | 0.032 | | 1.040 |
| **Thailand** | 0.030 | 0.033 | 0.019 | 0.031 | 0.206 | 0.021 | 0.234 | 1.372 | 277.89 | 2.804 | 0.041 | 34.02 | 0.102 | 1.378 | 0.042 | 0.031 | 0.961 | |

Source: Thomson Reuters via WSJ Market Data Group

## MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 08, 2010

| Dividend yield | Price-to-earnings ratio | Morgan Stanley Index | Last | LOCAL-CURRENCY PERFORMANCE Daily | YTD | 52-wk. |
|---|---|---|---|---|---|---|
| 2.40% | 27 | **ALL COUNTRY (AC) WORLD*** | 305.87 | -0.14% | **34.3%** | 34.3% |
| 2.40 | 28 | **World (Developed Markets)** | 1,192.91 | -0.05 | **29.6** | 29.6 |
| 1.80 | 117 | **World Small Cap** | 196.44 | 0.32 | **46.4** | 46.4 |
| 2.50 | 23 | **Kokusai (World ex-Japan)** | 1,183.36 | 0.00 | **32.6** | 32.6 |
| 2.90 | 28 | **EAFE** | 1,608.36 | -0.43 | **30.0** | 30.0 |
| 2.00 | 20 | **Emerging Markets (EM)** | 1,014.42 | -0.72 | **78.9** | 78.9 |
| 2.40 | 24 | **AC ASIA PACIFIC EX-JAPAN** | 426.14 | -0.66 | **72.3** | 72.3 |
| 2.00 | 24 | **AC Far East ex-Japan** | 459.18 | -0.91 | **68.4** | 68.4 |
| 1.70 | -35 | **Japan** | 583.40 | 0.02 | **10.1** | 10.1 |
| 1.90 | 21 | **China** | 66.35 | -0.95 | **62.7** | 62.7 |
| 0.80 | 40 | **China A (China Domestic)** | 3,290.26 | -1.96 | **89.7** | 89.7 |
| 2.60 | 24 | **Hong Kong** | 10,420.75 | 0.00 | **59.0** | 59.0 |
| 0.90 | 21 | **India** | 715.85 | -0.50 | **93.9** | 93.9 |
| 1.00 | 17 | **Korea** | 479.23 | -1.75 | **56.1** | 56.1 |
| 2.40 | 20 | **Malaysia** | 477.39 | -0.19 | **48.6** | 48.6 |
| 2.90 | 18 | **Singapore** | 1,629.38 | -0.69 | **63.5** | 63.5 |
| 2.50 | 248 | **Taiwan** | 298.66 | -1.00 | **72.3** | 72.3 |
| 2.90 | 19 | **Thailand** | 302.10 | 0.19 | **63.2** | 63.2 |
| 3.70 | 26 | **Australia** | 1,006.11 | -0.44 | **31.5** | 31.5 |
| 5.20 | 16 | **New Zealand** | 88.95 | 0.23 | **17.2** | 17.2 |
| 1.80 | 33 | **US BROAD MARKET** | 1,268.14 | 0.41 | **29.1** | 29.1 |
| 3.20 | 18 | **EUROPE** | 89.63 | 0.00 | **29.1** | 29.1 |

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

# MARKETS LINEUP

## Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Friday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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## Asian index movers...

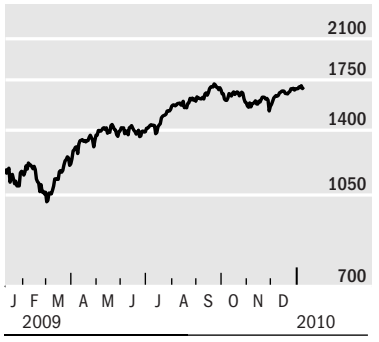
### Nikkei Stock Average
Japan 10798.32
▲ **1.09% or 116.66**

At six weeks, the winning streak is the longest since a seven-week gain ended the week of May 9. The index is at its highest since October 2008.

| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Mizuho Financial | **178.54** | 180 | 3 | 1.69 |
| JapanAirlines | **161.36** | 67 | –9 | –11.84 |
| Mtshbsh Fin Grp | **128.98** | 478 | 2 | 0.42 |
| MazdaMtr | **103.12** | 231 | 16 | 7.44 |
| Toshiba | **77.72** | 538 | 18 | 3.46 |

### Kospi
South Korea 1695.26
▲ **0.70% or 11.81**

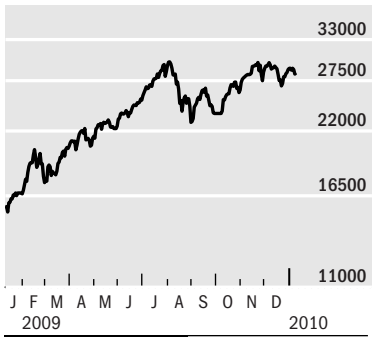
The index is up for three consecutive weeks and five of the past six. Exporters underperformed on Friday amid concerns over a strengthening won.




| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Korea Data Sys | **18.51** | 220.00 | –5.00 | –2.22 |
| Dae Young Pkg | **13.58** | 490.00 | 45.00 | 10.11 |
| Kedcom | **12.43** | 90.00 | –15.00 | –14.29 |
| Optimus | **11.77** | 170.00 | –15.00 | –8.11 |
| Hynix Semi | **9.69** | 24,650.00 | 250.00 | 1.02 |

### CBN 600
China 28455.39
▲ **0.48% or 136.76**

Bargain-buying in property developers helped the index to its sixth gain in the past nine sessions, but it has fallen for three of the past five weeks.




| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| HainanExpressway | **171.41** | 7.16 | 0.35 | 5.14 |
| ChinaPetrol&Chem | **132.18** | 13.10 | –0.14 | –1.06 |
| China State Con | **126.32** | 4.55 | 0.02 | 0.44 |
| ChinaMinshengBkg | **117.51** | 7.78 | 0.08 | 1.04 |
| ChinaSportsIndstry | **117.25** | 9.46 | 0.32 | 3.50 |

### Sensex
India 17540.29
▼ **0.43% or 75.43**

Stocks were up for the week, despite two straight days of declines. Tech stocks, financials and metals led the losses amid caution ahead of quarterly corporate results.

| Stock | Volume in millions | Close | Change Net | Change % |
|---|---|---|---|---|
| Dlf-A | **3.78** | 390.20 | 15.95 | 4.26 |
| Tata Steel-A | **2.12** | 650.25 | 0.85 | 0.13 |
| Jaiprak Asso-A | **1.88** | 161.55 | 2.85 | 1.80 |
| Hindalco-A | **1.85** | 173.25 | –1.75 | –1.00 |
| Reliance Com-A | **1.01** | 180.70 | –2.75 | –1.50 |

## Asian stocks in the news

### Mitsubishi Elec
Japan ¥724
▲ **4.3% or ¥30**

The company announced a strategy to boost its railway transportation-systems business.

| | Price-to-earnings ratio | | | **none** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **-9.30** |
| | Dividend yield | | | **none** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Indus Gds & Svcs | | **1.5%** | 4.4% | 43.3% |
| Mitsubishi Elec | | **4.3%** | 5.7% | 32.1% |

### Nikon
Japan ¥1,911
▲ **4.4% or ¥81**

Shares of major exporters benefited noticeably from a weaker yen.

| | Price-to-earnings ratio | | | **none** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **-52.40** |
| | Dividend yield | | | **0.4** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Personal & Hshld Gds | | **1.2%** | 3.8% | 20.1% |
| Nikon | | **4.4%** | 4.5% | 70.9% |

### Cosco Pacific
Hong Kong HK$11.68
▲ **4.5% or HK$0.50**

The port-operations company would be a direct beneficiary of an export recovery.

| | Price-to-earnings ratio | | | **18** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **0.65** |
| | Dividend yield | | | **2.1** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Indus Gds & Svcs | | **1.5%** | 4.4% | 43.3% |
| Cosco Pacific | | **4.5%** | 17.6% | 36.9% |

### Billabong Intl
Australia A$11.55
▲ **5.3% or A$0.58**

Better-than-expected sales in the U.S. resulted in a rally in consumer stocks.

| | Price-to-earnings ratio | | | **17** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **0.69** |
| | Dividend yield | | | **1.6** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Personal & Hshld Gds | | **1.2%** | 3.8% | 20.1% |
| Billabong Intl | | **5.3%** | 5.5% | 47.5% |

### Aeon
Japan ¥848
▲ **6.5% or ¥52**

Analysts credited aggressive cost-cutting for keeping losses lower than expected.

| | Price-to-earnings ratio | | | **141** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **6.00** |
| | Dividend yield | | | **2.0** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Retail | | **0.8%** | 2.2% | 27.7% |
| Aeon | | **6.5%** | 12.8% | 3.3% |

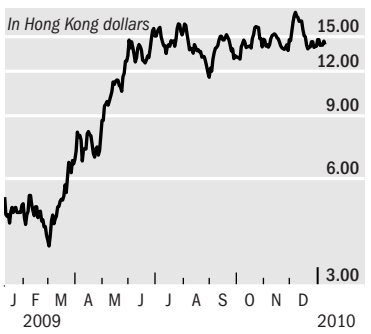
### Fortescue Metals Grp
Australia A$5.06
▼ **2.1% or A$0.11**

Resource shares slipped on falling metals prices amid worries of falling demand in China.

| | Price-to-earnings ratio | | | **23** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **0.22** |
| | Dividend yield | | | **none** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Basic Resources | | **-0.1%** | 5.2% | 71.5% |
| Fortescue Metals Grp | | **-2.1%** | 14.0% | 144.4% |

### Shimao Prop
Hong Kong HK$14.26
▼ **2.2% or HK$0.32**

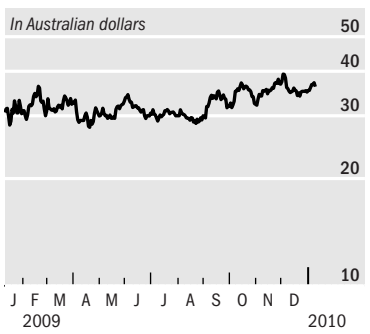
The stock gave back most of Thursday's gains, when property shares tried to play catch-up.




| | Price-to-earnings ratio | | | **38** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **0.38** |
| | Dividend yield | | | **1.6** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Real Estate | | **0.5%** | 2.5% | 38.7% |
| Shimao Prop | | **-2.2%** | -3.1% | 168.0% |

### Newcrest Mining
Australia A$36.20
▼ **2.6% or A$0.95**

On a down day for gold, even government approval for a new copper gold mine couldn't help.




| | Price-to-earnings ratio | | | **68** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **0.53** |
| | Dividend yield | | | **0.4** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Basic Resources | | **-0.1%** | 5.2% | 71.5% |
| Newcrest Mining | | **-2.6%** | 2.5% | 18.1% |

### Foxconn Intl
Hong Kong HK$10.00
▼ **4.0% or HK$0.42**

The contract cell-phone maker fell for a second day on profit-taking.

| | Price-to-earnings ratio | | | **none** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **-0.04** |
| | Dividend yield | | | **none** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Technology | | **0.6%** | 2.5% | 68.1% |
| Foxconn Intl | | **-4.0%** | 10.9% | 212.5% |

### Japan Airlines
Japan ¥67
▼ **11.8% or ¥9**

Concerns lingered that the government may pursue court protection in turning around the carrier.

| | Price-to-earnings ratio | | | **none** |
|---|---|---|---|---|
| | Earnings per share, past four quarters | | | **-98.80** |
| | Dividend yield | | | **none** |
| | | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
| Travel & Leisure | | **1.1%** | 2.9% | 9.9% |
| Japan Airlines | | **-11.8%** | ... | -67.5% |

# HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

## Will investors bond with Vietnam?

Carpe diem, Vietnam!

Vietnam suffers from rising inflation, fiscal and current-account deficits and shrinking foreign-exchange reserves. Less than two months ago, it devalued its currency.

Nevertheless, it is counting on strong demand when it taps the global bond market for $1 billion later this month.

An audacious effort that will end badly? Not if you view Vietnam the way some global investors seem willing to: as the worst house on the best block in town. Even if its neighbors—flush with foreign exchange, and better able to repay foreign debt thanks to strengthening currencies—offer sounder investments, global bond funds are overloaded with cash and seeking yield. Vietnam will give them that.

EPFR Global says $8.1 billion went into emerging-markets bond funds in 2009, a record. In this context, Vietnam's move could be good market timing, particularly as it comes before interest-rate increases in less risky parts of the sovereign-debt world. For sure, this deal will serve as a test of just how discriminating global markets have become toward risk.

One good sign for Hanoi: On Wednesday, the Philippines closed a $1.5 billion bond offering paying only a tiny premium over its existing yields, despite its own recent budget problems. But Vietnam isn't the Philippines, which has a far longer track record when it comes to borrowing on global bond markets. Hanoi's last global issue—also its first—was in 2005. Then, it attracted $4.5 billion in orders for a $750 million issuance. Vietnam has been looking to tap markets again since 2007, with no luck.

One challenge for Vietnam's bankers will be competition from more economically stable sovereign issuers.

A recent favorite, Indonesia, is mulling a $3 billion to $4 billion issue that will compete for those funds. Like the Philippines, Indonesia offers a far prettier picture than Vietnam.

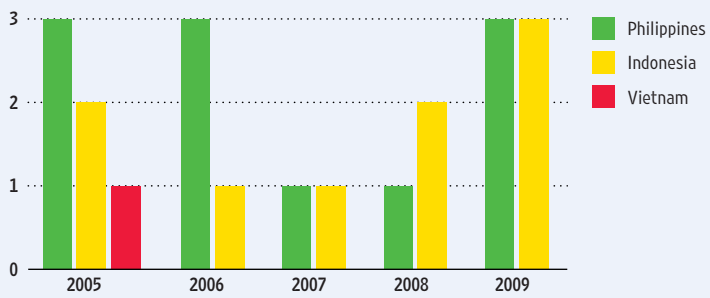
On Friday, the cost of insuring $10 million of Indonesia's five-year bonds against default was $180,000 to $190,000. The same insurance on Vietnam's five-year debt cost $230,000 to $240,000.

A greater risk for sure, but it will translate into the higher bond yields that global investors are in hot pursuit of these days. That means Vietnam should benefit this time around.

*—Alex Frangos and Ditas Lopez*

**Background check**

Unlike Indonesia and the Philippines, Vietnam has little track record when it comes to international bond issuance. Number of G3 sovereign bond issues each year:




Note: G3 bonds are denominated in dollar, yen and euro Source: Dealogic

## Kuwait political fights test confidence

After Dubai's debt debacle, will Kuwait become the next Persian Gulf state to come under greater international scrutiny?

The wealthy state, owner of 10% of the world's oil, isn't about to run out of money. But a political crisis, exemplified by Parliament's demand this week that the state bail out its indebted citizens by buying $23 billion of consumer loans, is driving away foreign investment.

Kuwait is the only Arab Gulf state with a fully elected legislature. But the fractious relationship between Kuwait's ruling Al Sabah family and the Islamist-dominated Parliament risks creating economic stagnation. In the past three years, Kuwait has seen the dissolution of three parliaments and the resignation of five governments. The emir, Sheik Sabah Al Ahmad Al Sabah, is expected to oppose Parliament's consumer-loan bailout bill, leading to a new bout of hostilities between the two camps.

The sheikdom already receives less foreign direct investment than any other Gulf Cooperation Council state, ranking alongside Yemen and Iraq, according to the U.N. Foreign investors are losing confidence despite the emirate's energy riches. Last year, Kuwait canceled contracts valued at more than $8 billion to build a new refinery in the Gulf state due to political objections. Oil companies, including **BP**, **Royal Dutch Shell** and **ConocoPhillips**, have become weary of the promise that Kuwait may open up its border oil fields with Iraq for investment.

But without more foreign investment and expertise Kuwait is unlikely to achieve its target of boosting oil-production capacity to four million barrels a day, from below three million barrels now. Kuwait's economy was the worst performer among the six-member Gulf Cooperation Council in 2009, according to the International Monetary Fund.

Without radical overhauls, Kuwait's economy will continue to lag behind others and oil production will suffer, threatening the country's role as one of the top OPEC producers. For investors, Kuwait is a further reminder of the political risks that lurk among even the most oil-rich states as their institutions struggle to keep up with the pace of social and economic change.

*—Oliver Klaus*

**Kuweight**

Stock-market performance:

Source: Thomson Reuters

## Undercooked deal making by Nestlé

It has been a busy New Year for **Nestlé**. But a disappointing one. Despite making a major disposal, an acquisition and ruling out a bid for **Cadbury**, shares in the Swiss consumer-goods giant were down 4.4% last week. Instead of addressing investor doubts over its strategy, Nestlé's latest flurry of activity may have underlined them.

Sure, the 29 billion Swiss franc ($28.07 billion) sale of eye-care specialist **Alcon** to **Novartis** was expected, and the Cadbury decision will have come as a relief. But Nestlé's purchase of **Kraft Foods**' North American frozen-pizza business is the wrong asset in the wrong region. The Kraft business has an operating profit margin half that of Alcon's in a relatively mature food category that fits uneasily with Nestlé's health-food focus.

Meshing the leader in North American frozen pizza with Nestlé's existing U.S. and international frozen-food operations still should deliver significant cost savings and revenue gains. But Nestlé is now more dependent on the U.S. when it is China, India and Latin America where long-term growth is likely to be faster.

Nestlé's board has given careful guidance about likely acquisitions, stressing medium-size deals of no more than three billion francs that fit its strategic focus.

But until Nestlé can persuade investors it will stick to these criteria, it will struggle to justify a rerating from the sector average of nine times forward earnings before interest, tax, depreciation and amortization to something closer to the 12-times multiples that top-rated peers like **Danone** and **Coca-Cola** command.

*—Matthew Curtin*

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